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DRUGS, LAW ENFORCEMENT, AND FOREIGN POLICY: PANAMA

HEARINGS

BEFORE THE

SUBCOMMITTEE ON TERRORISM, NARCOTICS AND INTERNATIONAL COMMUNICATIONS

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

FEBRUARY 8, 9, 10, AND 11, 1988

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DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: PANAMA

MONDAY, FEBRUARY 8, 1988

U.S. SENATE,
SUBCOMMITTEE ON TERRORISM, NARCOTICS AND
INTERNATIONAL OPERATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:02 a.m., in room SH-216, Hart Senate Office Building, the Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senators Kerry and Moynihan.

Also present: Senator D'Amato and Jack A. Blum, special counsel.

Senator KERRY. This hearing of the Narcotics, Terrorism, International Operations Subcommittee will come to order.

Let me say that this morning attorneys for General Noriega by wire, letter, and by being here in person have made available to us a letter from General Noriega requesting that they be permitted to cross-examine as well as place evidence before the committee.

In the spirit of fairness, I want to make it clear that General Noriega is invited to appear here as a witness. If the attorneys want to make him available without subpoena, we would be delighted to make arrangements.

This is not a criminal proceeding. It is not a court of law. Clearly General Noriega has ample opportunity to answer whatever charges have formally been made against him by indictment through the legal process of the United States.

We will, however, be very happy to receive any documents, any evidence for our staff to review as part of our overall investigation. We will continue to make our own determination as to veracity and credibility and determine who we might or might not call as a witness. I think that is standard operating procedure for congressional committees, even in investigative posture.

But I repeat, we certainly would be delighted to have General Noriega answer any and all charges here in person, and there is an open invitation from the committee for him to do so.

Second, my ranking, the ranking member of the Foreign Relations Committee is unable to be here due to a personal family situation. He wanted to be here, he has been very much part of this subcommittee's work since its inception. And that is Senator Helms.

I have a statement here from him that I will not read in full. It will be placed in the record as if read. But I would just like to read several paragraphs of it to you, if I may.

Senator Helms says:

> In preparation for these hearings, we have spent over 2 years specifically investigating the involvement of Noriega and other high-level officials of the Panama defense forces in illicit activities of every kind.
>
> We have discovered that these gangsters will stop at nothing to rob and betray the Panamanian people. Noriega has successfully taken Panama away from the people of Panama. Now, the people of Panama want the dictator out.
>
> In hundreds of interviews over the last several years we have found that Noriega has turned Panama into a criminal's paradise. We have prudently refrained from putting this information into the public domain because it was absolutely necessary to obtain independent confirmation of the testimony of various witnesses who claimed to have firsthand knowledge.
>
> We now have many witnesses who are able to do that for us. Three of them will testify here this week. Mr. Chairman, I find the testimony of Floyd Carlton, Jose Blandon, and Ramon Million Rodriguez credible and disturbing.
>
> In private, these men have told the Foreign Relations Committee of Noriega's personal and direct involvement in money laundering, drug trafficking, arms trafficking, illegal business deals, and murder. It is now time for the people of Panama and the people of the United States to hear the truth.

That full statement will appear in the record as if read.

OPENING STATEMENT OF SENATOR HELMS

Senator **HELMS**. Mr. Chairman, I commend you today for begining a series ofhearings on drug trafficking in the Western Hemisphere, with special emphasis on Panama. When I was chairman of the Western Hemisphere Subcommittee, the subcommittee held a series of drug hearings starting in 1983, and a series of Panama hearings in 1986. Mr. Chairman, I greatly appreciate the fact that you have always worked closely with me on these issues relating to Panama and drug trafficking.

The Subcommittee on Terrorism, Narcotics and International Operations was set up last year in an effort to investigate the drug crisis around the world, and to begin to look for viable solutions. Drug trafficking in the hemisphere is rapidly destabilizing one country after another, and has become a national security threat for the entire region—including the United States.

There are several countries in Latin America that have become major drug producing or drug trafficking countries. But without a doubt, Panama is now at the center of drug and money-laundering operations in this hemisphere.

For more than 10 years I have tried to warn the American people about General Noriega's activities. Finally, last week, Mr. Noriega and some of his coconspirators were indicted by a U.S. Federal grand jury on drug charges.

In preparation for these hearings, we have spent over 2 years specifically investigating the involvement of Noriega and other high-level officials of the Panama defense forces in illicit activities of every kind. We have discovered that these gangsters will stop at nothing to rob and betray the Panamanian people. Noriega has successfully taken Panama away from the people of Panama. Now the people of Panama want the dictator out.

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Mr. Chairman, I find the testimony of Floyd Carlton, Jose Blandon, and Ramon Milian Rodriguez credible and disturbing. In private these men have told the Foreign Relations Committee of Noriega's personal and direct involvement in money laundering, drug trafficking, arms trafficking, illegal business deals, and murder. It is now time for the people of Panama and the people of the United States to hear the truth.

I am also delighted that General Gorman has agreed to appear before the committee. He has a most distinguished career, and knows Panama well.

Mr. Chairman, I hope that these hearings will enable us to understand the Panamanian crisis better, and look solutions to return Panama to the Panamanian people.

Senator KERRY. I would like to take a moment or two for those who are new to this subject to place these hearings in their proper context, if I may, and it is important to understanding where we have been and where we are going.

In June 1986, over 1½ years ago, in a secret session of the Foreign Relations Committee, I presented evidence of widespread narcotics trafficking which threatened to undermine both American foreign policy interests and law enforcement efforts.

This evidence involved Panama, the Bahamas, Mexico, Colombia, Central America, and aspects of the private aid network to the Contras. At that meeting, in a bipartisan agreement to let the chips fall where they may, the committee voted unanimously to conduct an investigation which has been ongoing ever since.

Scores of people have been interviewed. Thousands of documents have been reviewed. Many depositions have been taken.

Last year, based on published reports as well as evidence developed in our investigation, Senator Helms and I led an effort on the Senate floor to challenge the administration's certification of cooperation in the war on drugs for Panama, the Bahamas, and Mexico.

The vote to decertify Panama—and the distinguished Senator from New York, Mr. D'Amato, was central in that also—carried 58 to 31. Throughout the debate the administration steadfastly defended all three countries, maintaining that each, Panama included, was doing everything possible to cooperate fully in combating the flow of drugs.

At that time, we scheduled these hearings that are taking place today. Hearings which I want to emphasize would be taking place regardless of the events of last week. It is important also to emphasize, and I want to stress this, these hearings are not just about Panama. They are not just about Noriega, though clearly Noriega is central to telling part of the story.

Initially, this inquiry began with reports of certain Contras and elements of the Contra network involved in drug trafficking. Indeed, we will explore that issue as these hearings develop. Not just in the next few days, but when subsequent scheduled days take place in both March and April.

Frankly, what we have found as this investigation unfolded was an extreme, pervasive, almost awesome presence of narcotics trafficking and the narcodollar in the everyday life of countries we deal with, as well as in our own affairs.

This presence was growing so rapidly and with such profound effect that we came to the conclusion the United States is facing a national security crisis. These hearings are an effort to define and to explain that crisis.

We hope to show the imminent danger posed by continued inattention to the international narcotics relationship. We will hear testimony about the destabilization of whole countries, regions, the support for terrorism, and the subversion of our own laws and institutions.

And these hearings will attempt to answer many questions. Among them, given the strategic importance of Panama and the Panama Canal to United States interests, is it conceivable that our intelligence agencies knew nothing about the events that we will hear described?

What is the definition of "national security" which permits us to sacrifice the war on illegal drugs to support the illegal war of the Contras?

How do negotiations—and I am referring specifically to the time of illegality under the Boland amendment—how do negotiations for Bahamian bases take priority over a sting operation that would net high government officials as conspirators in drug trafficking?

If the New York Times could write publicly on the front page in June 1986 that Noriega was involved in illegal drugs, why did the Federal Government only move most recently in recent months and weeks to indict? How can we tell our kids to just say "No" to drugs when our Government could not say "No" to Noriega?

This is the first of a series of hearings. And as we go along it is our intention to tell a story, one which is both shocking and disturbing. I believe it will become clear that not only do we face a national security threat ourselves for our interests, but that other countries are threatened to such a degree that the stability of the Western Hemisphere, certainly the southern Western Hemisphere, is at issue.

Nowhere is this more clear than in Colombia. The international drug traffickers have literally hijacked an entire nation, and General Gorman will talk about that. They have terrorized and brutalized the Colombian Government into near submission.

The latest example is the savage murder of the Attorney General of Colombia on January 25. The most recent in a long string of killing of Colombian officials who dared to challenge the power of the narcotrafficantes.

That does not complete the story. Mexico tells us more. Three men indicted just last month, high Mexican officials, indicted for drug trafficking. Nor does that complete the story. The Bahamas will tell more.

In testimony before this committee last year we heard how it is possible to literally rent an island overnight so that drug planes can land, unload, and transfer their drugs to boats that come into Florida.

Nor is that the whole story, as we have learned this past week with the sordid saga of General Noriega and the happenings of Panama. And the story has many chapters that we have neither the staff to research into nor the time to tell. Burma, Pakistan, the Bekaa Valley, the Far East.

These hearings will also explore our response to that threat. From what we have learned these past months, our declaration on war against drugs seemed to have produced a war of words and not action. And the results speak for themselves.

We have declared a war of drugs but our inner cities have increasingly become combat zones for a war between the drug dealers themselves. I think more than 40 people have been killed in the streets of Washington in 1988 alone.

Our suburbs are flooded with cocaine. Just ask any parent. Our schoolyards remain playgrounds and marketplace for drug dealers. Our borders are inundated with more narcotics than at any time ever before.

In reality, the war on drugs has been more like a low-intensity conflict fought by ill-equipped soldiers with no coherent battle plan.

We talk about eradication, but provide few economic alternatives. We talk about interdiction, but the drug traffickers have more sophisticated equipment and intelligence than our drug agents. And I am sure that both General Gorman and District Attorney Morgenthau will testify to that.

We talk about war, but the soldiers we send to fight are outgunned by drug dealer and user alike. We talk about law enforcement, but our agencies are understaffed, our courts overburdened, the Coast Guard suffered damaging cuts, the Drug Enforcement Administration reports it has only one agent covering Egypt and half of Africa.

More than one politician has told us that we engaged in a battle for the soul of America, that our traditional American moral values are at stake. I believe that is true. But the gap between rhetoric and reality has grown enormous. It is almost as if we are preoccupied with the creation of two Americas, the one that we say we are, and the one that we are really all about.

Americans have been left wondering whether we are powerless, while illegal drug dealers continue to steal many of our best minds, our finest athletes, our greatest creative artists, and too many of our children.

If you doubt its epidemic proportions, do not. Today, 5,000 Americans will use cocaine or crack for the very first time. At least 20 million Americans have already tried cocaine. At least 1 million Americans are addicts.

As many as 75 percent or more criminals arrested in major American cities are testing positive for drugs. And I remember from my days as a prosecutor that at that time perhaps 60 to 65 percent of all crime was drug related.

Out of 1.2 million intravenous drug users in America, 250,000 of them are infected with the AIDS virus. So, the cost to our society of drugs measured in terms of death, illness, crime, lost productivity, law enforcement, overcrowded jails, and drug treatment are estimated at $100 billion a year.

Last year we passed the Drug Abuse Act. But we saw serious cuts in the effort of that act to be able to do what it would. It seems to all of us that a nation serious about drugs would take stronger steps to prevent the traffickers from operating with impunity in foreign sanctuaries.

A nation serious about drugs would find ways to make it impossible for drug lords to use commercial banking system to pay their pushers, launder their money, bribe their friends, and run their business.

These hearings are finally not an attempt to point a finger or solely to point a finger at other nations. For as the Nation of demand, we bear responsibility. But if we are going to successfully wage a real war on drugs, you have to know the terrain, you have got to design a battle plan.

At this point in our inquiry it seems as though stopping drug trafficking in the United States has been a secondary U.S. foreign policy objective, sacrificed repeatedly for other political and institutional goals such as changing the Government of Nicaragua, supporting the Government of Panama, using drug-running organizations as intelligence assets, and protecting military and intelligence sources from possible compromise through involvement in drug trafficking.

The result has been to guarantee that law enforcement efforts have been frustrated, and the organizations that produce, import, and distribute drugs have prospered. Most disturbingly, it has been to guarantee that the kids of this country have been denied the opportunity to have a drug-free chance to start in life.

We look forward to learning a great deal more in the course of these continuing hearings. Just to give you a sense of where we are going over the next few days, we begin today, this morning, with two distinguished, very experienced veterans of this effort.

They will give us an overview, a picture defining exactly what is at stake and what we are or are not doing. Then within that larger picture, in that context, we will begin this afternoon with the witnesses themselves who have taken part in this effort.

We will begin first of all with Leigh Ritch. Last week you heard from Steve Kalish. Well, Mr. Ritch was Mr. Kalish's boss. He was several levels above him, and he will describe in detail the laundering, the setting up of the trafficking, how he became involved. And finally, his involvement with General Noriega and with Panama.

After him, we will hear from an airline pilot for Eastern Airlines, who will testify to what he observed as a pilot for Eastern, flying in the region.

Tomorrow, Mr. Jose Blandon will start in the morning and testify at considerable length and in detail about his knowledge of what has happened in Panama and in the region.

Then we will hear from Mr. Floyd Carlton, who was the personal pilot to General Noriega and involved in drug transactions.

And finally we will hear from Mr. Milian Rodriguez, who was a major launderer of money, who will describe in significant detail his life as a drug dealer, his involvement with Panama, as well as the Colombian cartel, and describe, I think, in terms that only somebody who has been there could the depth and extent of the power of the narcotrafficantes.

I am delighted to be joined by my colleague on the Foreign Relations Committee and my colleague on this subcommittee, the distinguished Senator from New York, Pat Moynihan.

We will be joined here, after the introduction of Mr. Morgenthau, by the distinguished minority ranking member of the Senate Caucus on International Narcotics, Alfonse D'Amato, also of New York. Let me turn to my colleague, Senator Moynihan.

Senator **Moynihan**. Mr. Chairman, I want to say what I know my distinguished colleague, Senator D'Amato, will say, and what Senator Helms would have said, that you have been extraordinary in this matter.

You have been ahead of the Senate, you have been ahead of the news, you have been on top of facts which, some of which there was almost an avoidance of them for the simple reason they were so incredible.

The things that appear now to be true could have been true, it required a capacity for both indignation and tenacity that I can only speak of with great respect, sir.

Senator **Kerry**. Thank you very much.

Senator **Moynihan**. I have just a few, I hope not too personal, comments. But to get a sense of what we are on to here, I think it would be fair to say that it was I who first proposed that the issue of the international drug traffic be put on the agenda of American foreign policy.

This was in 1969. I have become Assistant to the President for Urban Affairs. And the heroin epidemic of the 1960's was cresting here in Washington, and in our city of New York, we are going to hear more about.

There were more bank robberies that year in Washington than there had been, 1 year than there had been in the previous century, cumulatively. The young men walking into banks, shaking a pistol at a teller, and demanding $35.

And the heroin was almost entirely produced by what came to be known as the French connection, from that movie later made. The opium was grown in Turkey where opium is a, the opium plant poppy, the opium is not grown, it is collected, it is a natural substance.

Poppy is a natural product in Turkey. They put poppy seeds on their bread, it is part of their cuisine. And it was being suddenly moved to, as raw opium, to Marseilles, where it was processed into heroin, and then brought over here.

I said to the President, "This is something we have to stop." And you could not have two NATO countries doing this. And he said, "Yes." I left from the Western White House in San Clemente in August 29, 1969, and I went quietly across, stopped in India, met in Istanbul with the Foreign Minister of Turkey. I said, you know, that "We have got to stop this."

Went to Paris, met with our Embassy people. In time I met with the head of the Surete, Jean Dewar, as he then was. Sort of a combination of head of the FBI and everything else in France. A man whose name is known, but whose picture is not published.

And I would like to just account an exchange with him. We had lunch at the American Embassy, the Ambassador's residence. And he at that time, he spoke no English. We had to go through the translation.

And we were describing what was happening in our city where 1,000 had died in New York City, of overdoses, that year. And one person had died in the Riviera of an overdose of heroin, and it had occasioned a debate in the French National Assembly on French family life.

And this man listened, as we told him what was going on in our country, and he listened. And then finally, lunch was over, I went, I was putting on his coat in the vestibule there.

And he suddenly turned and he looked at me and in perfect English said, "What kind of people are you? What kind of people would let another country do that to their own citizens?"

And indeed, well, in very short order the Turks went and agreed to put an end to the production of opium, and we recycled crops. The French, with the reluctance that always involves operations in Marseilles, closed those things down. And the heroin market was blocked for the moment.

Now, it moved to Mexico. We knew it would. But those countries behaved in response to our insistence that they must. Which came late in the day, but it did come. Now, under your pressing, we had a problem of why did our Government not get involved with these matters earlier.

But suddenly we face the prospect, is it possible that elements of our Government have actually been involved in the international trafficking of drugs? In pursuit of other objectives they have allowed, they have abetted, they have chosen not to interdict.

What you have found out about Mr. Noriega, in a life of government, I do not know that I have ever heard of American officials being involved. I mean, we are going to hear tomorrow from Mr. Blandon.

This is the New York Times of February 4, front page, Steven Engleberg and Elaine Scalino. It begins: "A former senior Panamanian official"—that is to say Mr. Blandon—"said today that the White House set up a secret operation in 1986 that called for Panama to arrange an East bloc arms shipment that could then be captured in El Salvador and falsely linked to the Nicaraguan Government."

If that is true, Mr. Chairman, it is the most degraded conduct I think in the history of the American Republic, if officials could have done that.

As General Gorman is going to testify, we knew that the rebel forces on El Salvador had—there are five groups. They had been brought together by Fidel Castro and formed a front, were in a certain alliance with the Sandinistas and gave them money at some point, and in return the Sandinistas let them, when they came to power in Managua, set up their actual headquarters in Managua. We know that.

We also knew that they had been shipping some arms. And then in 1983 the administration came to us, came to the Intelligence Committee—I was vice chairman of the Senate Select Committee on Intelligence—and said: "We have got to interdict the arms going into El Salvador from Nicaragua."

And I went to the Senate floor and spoke of it October 18, 1983—we had the conference report on the Intelligence Authorization Act—and said, you know, "We have to do this; that the Nicaraguan Government, if it is carrying out these things, is in direct violation of article 18 of the charter of the OAS."

We had not just a right, but arguably a duty, to help interdict this. And yet, we never found much in the way of arms.

In December of that year I was in Salvador. I met with the provost, the director and provost of the Jesuit university and asked him—and he obviously knew—"Are there arms coming in from Nicaragua?"

He said "No." I said "No?" He said: "No, you are providing, the United States is providing El Salvador all the arms it can possibly use. The people in the hills, they buy them or they steal them. There is plenty to go around."

And I know that General Gorman worked very hard on that, and yet we never found any evidence. They never found a shotgun.

If it now turns out that the Government, having used this as its issue when its real object was overthrowing the Government of Nicaragua, not El Salvador, was prepared to plant East German arms in El Salvador in order to deceive the Congress and the people, I do not know anything in Iran-Contra that was as vile.

Mr. Chairman, we are involved in issues that go to the heart of the integrity of government, as well as the health of the society. I thank you for what you are doing. I congratulate you, and stay at it.

Senator KERRY. I thank you very much, Senator. You are experienced at this and you have enormous knowledge through your service on the Intelligence Committee of precisely what is at stake here. And I thank you personally for your comments.

Let me now move on to the testimony. Again I repeat, this is the overview. This is to place the testimony of our subsequent witnesses over the course of the next month in a context. And I think the context is particularly important.

From my perspective, I can think of no one more capable of articulating it than the distinguished district attorney from New York. I know that when I served as a young assistant district attorney and was running the district attorney's office in Massachusetts, we looked to Bob Morgenthau as the example for most everything, whether it was a task force on drugs or a major crime unit or a rape counseling task force, whatever.

And I am very honored to have him here.

I would like to turn to Senator D'Amato at this point, both for introductory comments as well as any comments he might have. And my distinguished colleague I think wants to join you at the table for purpose of an introduction of his district attorney.

Senator MOYNIHAN. Mr. Chairman, this is a very important moment for me. In my youth, I wrote speeches for Bob Morgenthau. Now I have reached a level of equality which I have looked forward to for 25 years.

Senator, we welcome you. I know you have had a long interest in this. You have been terrific on the issue. You fought on the floor.

You have been fighting elsewhere about it, and I am glad to have you here at these hearings.

Mr. District Attorney, I welcome you on behalf of the committee.

Senator D'Amato.

OPENING STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Mr. Chairman, let me first commend you and join with Senator Moynihan in saying that in your rather short stewardship as chairman of this most important committee, you have brought very real purpose and meaning to it.

You have, I believe, identified what I think is the most significant challenge to America today. That challenge is not just the international narcotics menace as it relates to the countries of Central and South America and Asia and elsewhere, but the interrelationship to the decay, to the decadence, to the enslavement of millions of Americans, our youth, to the entrapment of drug abuse. The people affected are those that Bob Morgenthau fights for daily and represents. These victims are found not only in the city of New York, but in all our suburban communities, our rural communities, but particularly in our large metropolitan areas, where senior citizens dare not venture out when the sun goes down, where our parks have become playgrounds for the traffickers and the drug pushers, and where our incredible mass transit systems have become places of fear far too often.

And you know, it goes to the central theme: How committed are we? This administration made a ridiculous decision last March to certify that countries like Panama, Mexico, Colombia, and Bolivia were doing all that they reasonably could be expected to in fighting drugs.

Mr. Chairman, it was yourself and Senator Helms, myself and others who led the battles against certification. And finally, finally, we were able to get a symbolic vote that disagreed with the certification of Panama.

It was only symbolic because the State Department and others, other people on both sides of the political aisle within the Congress opposed our efforts. Let us understand, if there has been a major failing, as far as I am concerned it is not just a failing of the administration to be adequately committed to this war on this international drug menace. But it is those Members of Congress and others, conservatives, liberals, Democrats, Republicans, who campaigned prior to those November elections who said they were going to fight the drug war, and their commitment was about as long and meaningful as the day up to that election.

After that election, they would just go their own way. They take those polls, they measure the polls and they say: "Well, we have got to be against drugs."

Now, it is beyond me how any self-respecting legislator who can do that one day and then vote the kinds of cuts that we have had to endure in the areas that are most important and crucial to battle drug abuse.

Yet they do it regularly. I look back on the vote of April 2 last year, when you and Senator DeConcini, Senator Helms and myself led the battle to decertify Mexico.

You see, Mr. Chairman, Noriega and all the lurid tales that come out about him—the money laundering, the protection for racketeers, the sale of arms, providing protection for the Colombian dealers, and even working with Castro to do that—if you might excuse the expression, he does not really amount to the pimple on the behind of an elephant, not really.

In the totality of what we are speaking about, it is nothing. As a matter of fact, he really does not amount to much in the way of the international drug dealers in terms of size or dollars or moneys that are moved, the billions and billions and billions of dollars that are moved into New York alone in terms of cocaine trafficking.

But he does represent just how one little despot, almost an illiterate, but a man who cunningly could see how he could play the various systems—the CIA, the military, and even the Drug Enforcement people themselves—how he could manipulate them and be so successful.

But the sad thing, Mr. Chairman, is that we have not wakened up to the fact, a fact we are just beginning to realize that these countries, Panama and others, as a result of the incredible wealth and the power that it brings, the systematic corruption of all of those institutions and systems, are no longer countries.

They may be in name, but they have surrendered their sovereignty for the most part, and that of their people.

Senator DeConcini and I and a number of others sent a letter, which I would like to leave as part of the record, Mr. Chairman, in which we raise a number of questions to President Reagan in his forthcoming meeting with the Mexican President.

That is a thorny issue. It is a country of 100 million people on our border, some of the poorest of the poor. We had better recognize the national security interest that directly affects the United States.

We overwhelmingly lost a vote to decertify Mexico. I think we got 38 votes and something like 58 or 59 against us when on April 2 we moved to decertify Mexico and say they had not been cooperating. Here are some of their top generals, major elements of their government, directly involved in not only drug dealing, but in terms of the execution of our own Drug Enforcement agents.

If we do not have the courage to stand up and say to them "We will decertify you, we will cut off our aid, we will cut off loans." What do you expect to take place if we do not commit ourselves?

I will tell you what takes place. Not only the surrender of the national sovereignty of these countries and offering up their people, because who is there left to fight and what can those people do, but here is what takes place, Mr. Chairman.

A letter so outrageous that on 60 Minutes with Mike Wallace we all had to wonder. When we saw that show last night, I guess the American people were saying:

> How can it be that here is this drug dealer, this killer, this arms trafficker, and here the Administrator for the Drug Enforcement Agency of the United States, John Lawn—

And I do not criticize him personally, but this agency goes on record May 27, 1987, commending—commending—

> Noriega as being one of the leaders in the antidrug effort.

> Your personal commitment to Operation Pisces and competent, professional and tireless efforts of other officials in the Republic of Panama were essential to the final positive outcome of this investigation. Drug traffickers around the world are now on notice.

Well, what are they on notice?

> That the proceeds and profits of their illegal ventures are not welcome in Panama.

The postscript should have been, "unless they pay their percentage to the chairman of the board of that illegal enterprise, General Noriega." For as you and I know, Mr. Chairman, if you did not pay you did not get protected, and you were offered up.

So, consequently, here we have a Drug Enforcement Agency undermanned, underfinanced, little if any real cooperation with the intelligence community of this Nation, with the military powers of this Nation, with all of the components that would successfully lead it to believe that they are part and parcel of a coordinated effort to win this battle.

And so certainly, when they can make a seizure of tens of millions of dollars, 19,000 pounds of cocaine over a period of years that was offered up to them as tribute, so that they can go forward, they are going to commend this.

They do not have the resources, the time, or the energy, as you related, to undertake the kind of effort. Does that mean that they are corrupt? Not at all, because they are dedicated, they are hard working.

And they just simply have not had the support from this administration, from previous administrations, and from our Congress. We have failed them. And from the American people.

I want to conclude by simply saying that our district attorney, I do not know how he does it, or any law enforcement officers. One need only look at the National Institute of Justice, its latest report. I am going to hold this up, the National Institute of Justice.

Seventy-nine percent of criminals tested positive for drugs, including marijuana, in 1987, prior to their arrest, 24 to 48 hours, in our city of New York, in Washington, DC, 77 percent.

And if one were to follow the figures, they are in about that range in every major metropolitan area from the east coast to the west coast to the South.

And let us drop out marijuana and the figures do not change too much. People might say, "Well, that might be occasioned by that." The figures are 72 percent excluding marijuana in New York, 74 percent in Washington, DC. And those figures are in the sixties in all of the other cities, basically in the sixties and high fifties.

If there is anything that drives the crime and the incidence of our losing domestic tranquility it is drug trafficking. We have lost that domestic tranquility. Our people have become entrapped. They have become prisoners. We have domesticated ourselves so that we do not encroach on the turf of the criminals and the thugs, and we become third-class citizens. Incredible. We are warned that, "Oh, you should not walk in these places, you should not go here, you should not do these things, you should lock your doors, you should have the latest burglar alarm systems."

Mr. Chairman, I just simply want to tell you that Noriega is important as it relates to what can take place, what has taken place, to a people who are fighting back. He is only symptomatic of even far greater abuses that have taken place in Colombia, in Mexico, and ongoing situations.

And we had better mobilize and we had better bring real education and prevention and a real sense of awareness, because we are losing that battle. And we are surrendering up our people and our national sovereignty as we continue to debate the pros and cons of how to be effective, and are not matching those rhetoric with action.

So, I commend you, Mr. Chairman, and Bob Morgenthau for his job, and Senator Moynihan for bringing to us some historical perspective, because this is not a new issue. And unfortunately, we have continued the same old tired rhetoric, instead of the kind of dedication necessary.

I look forward to working with you, Mr. Chairman.

Senator **KERRY**. I thank you very much, Senator D'Amato, for that statement. I thank you especially for underscoring the scope and the size of this, the repercussions of it that many people either take for granted or feel powerless about.

I thank you also for your support in the efforts as we have gone along here.

Senator **MOYNIHAN**. Sir, I am just here to do no more than introduce to this honorable committee the very distinguished, legendary U.S. attorney in the city of New York under President Kennedy, President Johnson, President Nixon, and now the District Attorney of New York County—he was U.S. Attorney for the Southern District, now the district attorney, an elected office, of course, a public servant of the highest order, with testimony of the greatest urgency.

And if I may, Mr. Chairman, I will come back up.

Senator **KERRY**. Senator D'Amato, will you also join us up here?

Senator **D'AMATO**. Mr. Chairman, I am about to give testimony at another committee, but I would like to come back to join you.

Senator **KERRY**. We would appreciate it. We would welcome you back here.

District Attorney Morgenthau, at last.

Pull the mike up to you very close and introduce the gentleman with you.

And for the record, the letter of the Senator from New York, Senator D'Amato, will be placed in the record in full.

[The prepared statement of Senator D'Amato and the letter referred to may be found in the appendix.]

STATEMENT OF ROBERT MORGENTHAU, DISTRICT ATTORNEY, NEW YORK COUNTY, NY

Mr. **MORGANTHAU**. With me is Assistant District Attorney Paul Sheckman.

Mr. Chairman, I am deeply grateful to you for the opportunity to testify here. And also, I want to comment on the clarity with which you stated the issues that confront us all today.

And Senator Moynihan, thank you very much for that generous introduction. I thought of calling you and asking you for a little help with the statement, but I decided I had to do it on my own.

I want to make three points this morning: First, that drugs are not a victimless crime, but a national pestilence;

Second, that despite our considerable efforts at the local level, the war on drugs is not being won; and

Third, that it will not be won without significant action on the part of the Federal Government. Help must come, not only from the Justice Department, the Customs Service, and the Coast Guard, but from the State Department and perhaps even the Defense Department, and it must come soon.

Among the principal evils of illegal drugs are these. First, and most obvious, drugs kill and destroy lives. In the past 5 years, cocaine-related deaths have increased nationwide by 500 percent, and heroin-related deaths have increased 64 percent. Horror stories abound. Last year a young man tried to jump off the Brooklyn Bridge. He was depressed after he sold his mother's VCR to support his crack habit. Shortly thereafter, another young man fatally stabbed his mother when she objected to his use of crack. And just this month, the principal ballet dancer in one of New York City's leading companies was found dead in his apartment, a victim of cocaine abuse. Drugs do not discriminate. They destroy lives in every racial and socioeconomic group in our society.

Drugs are also a prime cause of crime. Just 2 weeks ago newspaper headlines announced the unexpected news that, according to a new Justice Department study, one-half to three-quarters of the men arrested for serious crimes in 12 major cities have tested positive for the recent use of illegal drugs, a study that Senator D'Amato referred to.

But that is an old story for us in law enforcement. In New York City a study was done in 1984 of arrestees, showing that at that time 56 percent of those arrested for serious crimes were abusing cocaine, heroin, methadone, or PCP prior to their arrest.

A second study in 1986 showed an even higher correlation, 78 percent of arrestees tested positive for illegal use. For those charged with robberies, the figure was 90 percent. Studies also show that individual crime rates are 6 to 8 times higher when an individual is abusing drugs than when he is relatively drug free.

In Manhattan in the last few weeks we saw another dramatic example of what drugs do. A 17-year-old was arrested after an 8-day, 11-robbery crime spree in which he had murdered five innocent people. After his arrest, the young man confessed that he had committed the robberies to support his drug habit.

Drugs are also a major cause of infant fatalities and birth defects. A recent study of 95 children who died before the age of 5 showed that in three-quarters of those cases at least one of the parents were abusing drugs. In 1987 in New York's Harlem Hospital, one of the few hospitals in New York State to keep detailed figures, some 400 babies tested positive for drugs at birth. Again, the statistics do not capture the full story. Each week, assistants in our domestic violence unit receive reports of child death. Baby Le'Nore is a typical example. She died last year at age 5 days. Her urine was positive for heroin, her mother, a heroin addict. The cause of death was listed as escherichia coli sepsis. Now, sepsis means a poisoning of the blood system, which is an apt description for what had occurred.

Drugs are also a major contributing factor in child abuse. Last year, two-thirds of the cases in family court involved parents who were drug abusers. This year my office will prosecute Joel Steinberg for the murder of 6-year-old Elizabeth, his illegally adopted daughter, in a case that has attracted national attention. I would only note what has already been reported in the press, that a search of the Steinberg home after his arrest uncovered cocaine, heroin, and marijuana as well as two large bottles of ether, a substance used in freebasing cocaine.

The past few years have added a new evil to those associated with drug abuse, and that of course is AIDS. The National Institute of Drug Abuse estimates that of the 1.2 million intravenous drug users, 250,000 are infected with the AIDS virus. Among women with AIDS, 80 percent are IV users or have sexual partners who are IV drug users. And once again, the abuses of the parents are visited upon their children—80 percent of the babies born with AIDS are children of IV drug users.

Drugs also destroy the quality of life in our neighborhoods. Here is a portion of a letter I received last year from a woman in Manhattan:

> Drug sales and drug addicts doing cocaine are seen 24 hours a day in at least six buildings on our block and in the street. There have been muggings and other violence. Master keys to our buildings are being sold on the street corner. We are under siege. Please help us.

Whenever I speak to community groups, their first concern is not murder or rape, but drug trafficking And I might say I was the keynote speaker this month—or last month—at the California State DA's Association in Monterey, and that is the subject of prime importance there, and the district attorney of Monterey was saying that he is being called before community groups to explain why there is so much drugs on the streets in a city like Salinas. So, it is not a New York problem, it is a California problem, I think it is a national problem.

Parents rightly fear that their children will sacrifice productive lives for the rush of heroin or the high of cocaine, or that they will abandon their education for the quick riches associated with the drug trade. It is no wonder that every prominent minority leader, without exception, views narcotics as an unalloyed evil, and proposals to legalize narcotics as tantamount to a racist plot.

Let me turn now to what we in local law enforcement are doing to wage the war on illegal drugs. And that chart over there on the left shows that in 1980 there were less than—there were approximately 15,000 arrests in New York City on drug charges, and that in 1987 there were 70,000 arrests. So, you see that almost fivefold increase in arrests in the last 7 years.

This past year, the number of felony arrests—now I am talking felony arrests only—rose to more than 34,000. During that period of time, felony drug convictions rose from 4,200 to 13,000. Commitments of drug offenders to New York State prisons increased from 1,376 in 1984 to 4,000 in 1987.

Now, that figure, 4,089 defendants committed to State prison from New York City for drug offenses is 20 percent more than the total number of defendants sent to Federal prison from all 50 States. Let me say that again. The number of prisoners sent to

State prison last year in New York City is 20 percent more than the number of prisoners sent to Federal prisons from all of the 50 states.

The increase in arrests, convictions, and State jail time reflects more than just increased street-level buy-and-bust operations. We are pouring far more resources into investigative efforts aimed at dismantling large-scale drug enterprises. In 1984, our special narcotics prosecutors drew up 199 search warrants. Last year that number was 628. Wiretaps are up from 16 in 1984 to 49 last year. Most dramatic are the statistics for seizures in narcotics cases. In 1985, the first year in which statistics were kept, 131 kilograms of cocaine was seized in New York City. Last year the figure was 904.

All of this is to say that those of us in State and local government, in New York City and in the State, are trying to do our jobs. We are putting more people in jail for longer terms than ever before. But despite our efforts, there are more drugs entering New York City than ever before.

Price statistics are an especially good indicator of supply conditions. In 1985, a kilogram of cocaine cost $30,000 on the streets of Manhattan. This year, our undercover officers are buying a kilogram for less than $20,000.

Plainly, local law enforcement cannot do the job alone. We do not have the constitutional powers, let alone the resources, to reduce significantly the importation of drugs. We cannot close the Mexican border or negotiate with Colombia. Indeed, it would violate the Logan Act if we were to try.

To rely principally upon local law enforcement is tantamount to telling the citizens in towns along the Mississippi, who cannot constitutionally interfere with the course of the Mississippi River, that the Army Corps of Engineers will no longer build levees to contain the river. The citizens must go there and mop up the overflow. As local law enforcement officials, we are trying to mop up the sea of narcotics that inundates us daily.

Let me make that same point in a different fashion. In preparing for my testimony, I spoke with Julio Martinez, who is in charge of treatment programs in New York State. Mr. Martinez compared his role to that of the Red Cross: It is his job to tend to the casualties of a war that is beyond his power to control.

I recognize that I am not the first local government official to complain to a congressional committee that the Federal Government is not doing enough. When the subject is drugs, however, the complaint has merit, for the simple reason that the Federal war on drugs has been long on rhetoric and short on substance.

You may recall the rhetoric. In signing the Anti-Drug Abuse Act of 1986, the President promised the "total commitment of the American people and their Government to fight the evil of drugs." "Our goal," he said, was "nothing less than drug-free operation." Drug use was "too costly for us not to do everything in our power not just to fight it, but to subdue it and conquer it."

Here is the recent reality. The President's 1988 proposed budget called for significant reductions in every category related to the drug problem. Funds for the Customs Service to interdict drugs were to be cut 23 percent; expenditures for drug education, 36 percent; moneys for essential and underfunded treatment programs, 46 percent; funds for State and local law enforcement efforts were to be cut entirely from the $225 million allocated in 1987 to zero in 1988.

Fortunately, the Congress declined to enact these budget cuts: The continuing resolution restored most of the moneys that the administration sought to take away. There was, however, one area of significant reduction: Funding for State and local law enforcement. Our funds were slashed from the $225 million allocated in 1987 to $75 million in 1988. Now, I would be more angry about this unkind cut if any of the money allocated to New York City under the 1986 act had actually reached us. So far none has. The funds are still tied up in redtape and bureaucratic lethargy.

Our failure to match our words with actions is evident in the international arena as well. In 1983, as you know, the Congress enacted the Rangel-Gilman-Hawkins amendment which requires the State Department annually to report on the efforts of major drug exporting countries to curtail production, and I have already heard comment about that. If a country fails to make maximum feasible efforts at curtailment, the sanction is loss of economic aid. Last March, the State Department reported to the President, pursuant to the act. The report, not surprisingly, was sharply critical of many countries, but only three were identified for sanctions: Afghanistan, Iran, and Syria, none of which received any economic aid from us to begin with. The report may have been amusing to officials in those nations and to the official in Russia who is in charge of Afghanistan, but it was not a laughing matter for those of us in law enforcement.

If more proof of our failings is necessary, consider this interchange taken from congressional hearings held on December 8, 1987. The questioner is Congressman Charles Rangel of New York who has dedicated himself to the fight against drugs. The answer comes from Assistant Secretary of the Treasury Frank Keating, Acting Chairman of the administration's Drug Law Enforcement Coordination Group.

> *Question.* Is there 1 ounce less of heroin, opium, cocaine, or marijuana on the street this year as compared to last?
>
> Answer. No.

Mr. Keating's candor is to be appreciated. If nothing else, he has learned to "Just say, 'No.'" But it can hardly be comforting to the citizens of this country to learn that 1 year after declaring war on drugs, we are no better off than before.

These criticisms should not be taken as the partisan sniping of a New York City Democrat. Rather, they reflect the accumulated frustration of a New York City district attorney. The sad truth is that the present administration inherited a staggering drug problem from its predecessor which never came to grips with the problem. Our failure has been a bipartisan failure.

What is to be done? I do not claim to have a panacea. Of one thing, however, I am sure—that without bold Federal action, drugs will continue to inundate us. Those of us in the local government will continue to mop up the overflow and to patch up the victims. But the underlying problem will not be solved.

Drugs must become a foreign policy issue. We must recognize that Mexican black tar and Colombian white powder pose as grave a threat to our national well-being as Nicaraguan or Cuban reds. Indeed, our problem would be far less acute if a fraction of the energies devoted to funding the Contras went to defunding the drug cartels that are increasingly dominating the lives of our Latin American neighbors.

Drug money is literally pouring into Latin America. If one assumes that 300 metric tons of cocaine were produced for distribution in the United States last year—and that is a Drug Enforcement Administration estimate—and two, that 75 percent of the cocaine comes from Colombia and 15 percent from Bolivia, again a DEA estimate, and three, that cocaine for approximately $20,000 a kilogram, one can make a rough estimate about drug payments to those nations. My calculation shows $4.5 billion in drug payments to Colombia and $900 million to Bolivia. Now, legal assistance to those countries was $11.5 million to Colombia and $71.7 million to Bolivia, and those figures pale in comparison.

Senator KERRY. Is that reflected in the chart over here?

Mr. MORGANTHAU. It is reflected in the chart over there. The small green amount is the Government payments, and the large red amount is the illegal dollars going in there.

Senator KERRY. Just by way of clarification, when you talk about the leverage of our sanctions, the little green line is what we threaten them with the loss of versus the alternative gain from the drug market?

Mr. MORGANTHAU. Yes, Senator.

I am afraid that the time has passed now when cutting off foreign aid would have any significant impact. I mean, if we had done that 5, 6, 7 years ago, cutting off that foreign aid might have had a significant impact. Now it is so small, it is so dwarfed by the illegal dollars that are going in there that I do not even know that that would have anything other than a symbolic effect.

Senator KERRY. Are you aware, Mr. District Attorney, that a member of the Colombian drug cartel offered to pay off the entire national debt of Colombia in cash?

Mr. MORGANTHAU. I am, and I think Roberto Flores in Bolivia made the same offer.

Giving billions of dollars to drug barons may be someone's idea of a contemporary Marshall plan, but not mine. Drug money is destroying the social fabric of our Latin American neighbors, a point that you have made, Senator. Colombia has lost 12 supreme court justices and an attorney general to the bullets of the Medellin cartel. Cocaine barons are building homes and providing welfare to the poor in order to ingratiate themselves with law-abiding people. Corruption is rampant in Colombia, Mexico, Bolivia, the Bahamas, and at the highest levels of the government in Panama. In Colombia, our drug dollars are helping to finance a leftist organization, M-19, which seeks to overthrow the government of that nation.

I recently had an opportunity to speak with a security consultant for one of our major airlines who had just returned from Bolivia. He told me of his conversation with a senior Bolivian Customs official. After bemoaning the widespread corruption that exists in his country, the official explained why it is so. The drug dealers, he said, offer you $2,000 or two bullets in the head. He said most people take the money. The story recalls the observation of the British philosopher John Locke that "Where there is no law, there is no freedom." Law is vanishing and freedom is in jeopardy in the countries cursed by the flow of dirty dollars from the drug trade, and we are doing far too little about it.

Let me hasten to add that the problem is not just a regional one. Increasingly, the heroin that we are seizing on the streets of Manhattan is imported from Asia by Chinese groups. The Nation's highest quality hashish is grown in the strategically important Bekaa Valley in Lebanon and smuggled through Lebanese ports.

If the war on narcotics is to succeed, we must muster all our foreign policy skills to persuade the world's exporting nations to control the production and distribution of illegal drugs. We must work with them to fight the drug traffickers who are our common enemy.

The Constitution tells us that the Federal Union was formed to ensure domestic tranquility. Our Founding Fathers did not take domestic tranquility to mean a heroin nod or a cocaine high. Their concern was that the people be safe in their homes and their daily lives to enjoy the blessings of our democracy. That must be our concern.

I hope that these hearings will dramatize the dimensions of the narcotics problems, and I congratulate you on holding them, and the need for greater Federal initiative.

And I thank you again for inviting me to share my views with you this morning.

[The prepared statement of Mr. Morgenthau may be found in the appendix.]

Senator **Kerry**. We thank you very much, Mr. District Attorney.

I am struck by your testimony, I must say. You state it in low key and almost understated tones. You are the dean of prosecutors in this country. You have dedicated a lifetime to this effort. You have got one of the largest offices in the Nation with the most expenditures and the biggest problem, and what you are really saying to us here is you have gone up in wiretaps from 16 to 49, you have gone up in kilos seized from 131 or whatever to 900 some. You are putting more people in prison than ever before. You are crowding the jails. You are doing everything you are supposed to do with less resources, you are doing more; you could be doing more, but it is not enough.

We are basically losing. I mean, that is the bottom line of your testimony.

What is the problem here? Are we going to face this choice of two bullets in the head or $2,000? What do we do? Where do we go?

Mr. **Morganthau**. I think there has to be a foreign policy initiative at the highest levels to deal with the Latin American governments and other governments to work out a way to reduce the production of these drugs. I think there also has to be a much greater effort at interdicting these drugs before they reach the shores. But I think that this has reached the proportion of a national emergency, and I think the Secretary of State has to become involved in this directly in dealing with the Foreign Ministers of the production countries and the transit countries.

I mean, I think that we have made a considerable effort, but there has been no momentum. There has been no impact. And I think it has reached the point where there has to be a major Federal initiative, because as I say, just dealing with it on the local level, and we have certainly stepped up our efforts, is not going to solve the problem.

Senator KERRY. Do you believe as a law enforcement official on the local level that the time has come for us to perhaps even involve U.S. military forces in some way, in a more active way, in this effort?

Mr. MORGANTHAU. I think that under the amendments passed in 1986, that is legal and proper. We have a general testifying here later, but it seems to me it would be excellent training for the Armed Forces to learn how to intercept low-flying planes and ships that are carrying contraband, because those planes and those ships could also be carrying atom bombs.

So, I think it is important and it is feasible and it is in the national interest.

Senator KERRY. How many cases that your office has prosecuted, if you have a breakdown, lead back to foreign countries in terms of the conspiracies?

Mr. MORGANTHAU. I would say virtually every single case, because the opium poppy is not growing in Central Park, nor is the coca plant. It is all coming from offshore.

Now, we trace it as far as we can. We work very closely with the Federal authorities, but all of it leads overseas.

Senator KERRY. What countries have been most principally involved in your tracking?

Mr. MORGANTHAU. In terms of the source, most of the cocaine is coming through Colombia. A lot of it originates in Peru and Bolivia, but it is coming through Colombia.

The major wholesale traffickers are Colombians, although you now see Dominicans and Cubans and many other Hispanics are involved in the distribution.

In heroin, the largest amount is now coming from Southeast Asia and has been brought in by Chinese traffickers. Some of it comes in through the west coast, but a lot of it comes around through the Netherlands and comes in. Then you are also seeing Pakistanis and Nigerians and Indians and Israelis. There are a lot of ethnic groups that are involved in the drug trafficking.

Senator KERRY. It has been alleged not only by people who will testify here but others that the laundering of money is one of the principal reasons that it has grown so rapidly.

Do you have any sense of the level of drug money currently being laundered by New York financial institutions?

Mr. MORGANTHAU. I do not. I know that the estimates go from $40 to $80 billion per year.

I think it would be fair to say that New York has probably 10 or 15 percent of that minimum. So, I think you are talking about anywhere from $5 to $10 billion being laundered through New York banks and other financial institutions.

Senator KERRY. One of our witnesses later in the week will, in fact, not only name some institutions but talk to us about how he was wined and dined by leaders of some of these banks in an effort to get his deposits.

Does that make some of these people complicitous in the process of what has happened to us?

Mr. **Morganthau**. That is a very serious problem.

I was one of the principal witnesses back in 1969 and 1970 when the original Bank Secrecy Act was passed. We tried very hard to get New York State law which would enable us to prosecute people for money laundering. So far, we have been unsuccessful.

Senator **Kerry**. Who blocks that? Why can we not get a law for that? Who is blocking that?

Mr. **Morganthau**. That is always difficult to say, but I think it is safe to say the banks are not that happy about having that kind of a requirement.

We are going to spend more resources now in trying to trace the funds. I think we are going to be successful, although, again, that is a labor-intensive kind of activity. We are, however, going to try to make more effort to try to trace the funds.

Senator **Kerry**. Can you speak for a moment, and I know General Gorman will also, to the technical disadvantages faced by U.S. and foreign law enforcement agencies in fighting against international drug traffickers?

Mr. **Morganthau**. I am sorry, I did not get that.

Senator **Kerry**. Can you address the technical disadvantages that we face in trying to fight them, so-called technological supply?

Mr. **Morganthau**. You have it coming in by plane, by truck, and by boat. First you have to get it into the United States. The number of ways of bringing it in are almost unlimited, whether it is through New York or California or the Mexican border or Canada. There are so many places that need to be watched.

The smugglers have sophisticated equipment, and there are sophisticated radar detection devices and so on. They are using up-to-date equipment to evade detection.

Another problem that we have, of course, is the language problem. We do not have that many people in the Federal law enforcement establishment who are familiar with the dialects that are used by the smugglers. Then there is a very significant cultural lag that has to be overcome.

Senator **Kerry**. With respect to that, it is my understanding that you have a problem in wiretaps. Is that accurate?

Mr. **Morganthau**. It is.

Senator **Kerry**. Do you have law enforcement agencies currently involved in the wiretaps who have people fluent in, say, Chinese or Spanish? I am sure you do in Spanish. Do you have Chinese?

Mr. **Morganthau**. We have some. Chinese is the most difficult language to deal with.

Senator **Kerry**. Let me turn to my colleague, Senator Moynihan, and then perhaps again come back to ask some questions.

Senator **Moynihan**. Mr. Chairman, just exactly as you say, we have the senior prosecutor in the United States before us in this committee, and he has an understated quality about his testimony which makes it all the more powerful for that reason.

I offer you the thought that if we keep going the way we are going, we are going to end up with more people in prison in the

United States than there are in the Soviet Union. Then what will they think of us?

Mr. Morgenthau mentioned that when the Framers spoke of domestic tranquility, they did not have in mind a heroin nod or a cocaine high. I am trying to think about this subject to any use.

You have to start with the idea that what we are dealing here with is a familiar, much more general experience than we might think. We are talking about the impact of technology on society. They did not think of a heroin nod because heroin did not exist.

What you have had in both these patterns is you see a natural substance which is used with no great consequence, brought to steadily higher levels which the species has no experience with. Opium is a natural growing product; just the gum of the poppy if you slice the stamen.

I guess the Germans developed morphine out of opium, and someone with my teeth would not want to live in a world without morphine.

At the same time the hypodermic needle was developed, and morphine was used with enormous abandon almost by both sides in the Civil War. Morphine addiction became known as the soldier's disease. It had a certain quality, for example, if you were at Gettysburg.

Heroin was developed in part as a cure for morphine addiction. It was the same people who developed Bayer aspirin, and they tried it out on their workers and made them feel heroish.

I have seen an advertisement for heroin, its trade name, in the Yale Alumni Journal in late 1910.

Cocaine was first synthesized in 1884 from the coca leaf. I do not know what societies know about how you deal with these things. We had an awful problem in learning to deal with distilled alcohol. It kind of existed but never in any quantities because there was no agricultural surplus. Then suddenly you get Gin Lane in the 18th century.

I know we have come nowhere near an internal strategy for putting an end to demand. If I could just say on foreign policy, and I do not want to get too anecdotal, but after my various trips to Paris and so forth, it was clear the French would cooperate and clear that the Turks would cooperate.

I was in a helicopter flying up to Camp David with George Shultz, who was then Secretary of the Treasury. I said, you know, "I think we have that Turkish-French thing under control and they are going to work with us." Then I said "I guess as long as there is a demand, there is going to be a supply, is there not?" Shultz, the old economics professor, said "There is hope for you yet."

We now have and we expected that heroin would move around, and it is now coming in from Southeast Asia, from the straits up in Burma. It is beginning to come in in large amounts from Pakistan, from the northwest frontier.

You are absolutely right that we have to make this an issue of foreign policy. We are dealing here with fragile societies, easily overturned by money.

About 8 years ago when I was over there and toured the poppy fields, I said to General Zia, "You get hold of this fast or you will not control the northwest frontier. The money will just wipe your police and your military out. You just cannot handle it. It is too much money." Colombia, the weak society, the Valencia which raged for about 20 years after World War II and left it in very weakened condition. Panama was never much of a society, and the Bahamas.

But, at minimum, we have got to make it what Bob Morgenthau says. It has got to be something high on the agenda of American foreign policy, and it is not. It always keeps slipping away. There is always something else that is more important. There is always some bilateral relationship or something that presses it.

If it is true that Colonel North proposed to Mr. Noriega that he plant East bloc arms in El Salvador and as a part of that concern we chose to ignore the man's involvement in drugs, then you see a really deep and corruptive effect here. I am just telling you you have to find that out.

I think Bob Morgenthau speaks as a person who—people are murdered daily on the streets of New York. At Kings County Hospital, which is in Brooklyn, 2 percent of the children born test positive for AIDS. Now, 2 percent of the children born, that is a price beyond our comprehension right now, partly because there is a class gulf, a racial gulf. But it does not go away. It gets worse, and we have not learned to think about it to any great purpose.

I, again, thank you and thank Bob Morgenthau.

Mr. MORGANTHAU. Could I make just two quick observations?

Senator MOYNIHAN. Please.

Mr. MORGANTHAU. Senator, you refer to how fragile the societies are in the drug-producing countries, but every year that goes by, those societies become more dependent on the drug traffic and make it more difficult.

If we had tried to deal with Colombia 10 years ago when it was not a significant part of their gross national product, we could have done it much more simply.

Senator MOYNIHAN. You can be pretty sure that 10 years ago, the American Ambassador in Colombia was being told the single most important thing was to see that the Cubans do not get hold of some aspect of the political structure, and he was not being told and was not asked about this as part of your success or failure as Ambassador and then see what happens.

Mr. MORGANTHAU. The other point is that our jails and prisons throughout the country are not being overloaded with drug traffickers. What they are being overloaded with is people who are using drugs that commit robberies and burglaries and murders. That is where the problem is.

Senator KERRY. Thank you very much.

Mr. District Attorney and my colleague, we were talking about supply and demand, and I direct your attention to this chart over here. These are prices taken from affidavits in court trials of prosecutions and are DA figures.

In 1982, $47,000 to $60,000 was the price range of cocaine per kilo. One can track all the way down to 1987 with one blip. It is now $12,000 to $15,000 on the street.

I think it is no coincidence that you might point out that in 1983 General Noriega and Panama began that closer relationship with the cartel. In 1985 President Barletta left, and in 1987 you see the price going down significantly.

So, clearly, there has been a very significant increase in availability. I do not think you would disagree with that.

Senator MOYNIHAN. Mr. Chairman, Mr. Morgenthau reported an almost identical pattern of the street prices of cocaine in New York City.

Senator KERRY. How do you react? You spend a lifetime prosecuting. You see this stuff every day on the streets of New York. You pick up the papers last week and you start reading about General Noriega and the U.S. Government, people knowing about this for years, deals being cut.

How do you react as a law enforcement official having read what you have read over the course of the last week about our relationship with General Noriega?

Mr. MORGANTHAU. My view is that he should have been prosecuted a long time ago. I guess the only thing you can say now for General Noriega is that he has been acting in reliance on the friendship of people in high positions in the U.S. Government and that he had a right to expect that he would continue to get immunity from prosecution for criminal conduct, but I think it is long overdue.

Certainly people in law enforcement have known that General Noriega was corrupt for a long period of time, and I think that kind of tolerance of corruption in foreign countries undermines our own respect for the law and respect for the law among people in law enforcement and could lead to corruption in our own police departments. So, I think it is something that is long overdue.

Senator KERRY. I was struck, also, as I always have been, by the obvious, on its face, connection between narcotics and crime; burglaries, robberies, armed robberies, and most of the violent crime. Disagree with me if I am not accurate, but most of the violent crime for which people are in our jails is drug related; is it not?

Mr. MORGANTHAU. I could say this, that most of the robberies and burglaries are committed by people who were drug users. So, yes, it is drug related.

Senator KERRY. Do you have any sense of what your life would be like if we greatly reduced the flow of drugs into this country?

Mr. MORGANTHAU. I think it would be much easier.

From 1975 to 1980, there was an increase in crime. Then we saw 4 years of decrease. During that period of time, there was also much less drugs available in the city. With the availability of crack, however, in 1985, 1986, and 1987, the crime rate has started to go back up again.

The thing about cocaine and particularly in crack form, it is highly addictive, highly dangerous, and does lead to violent conduct, much more so than heroin.

Senator KERRY. A couple of final questions with respect to that.

On the demand-supply issue, can you advise us as to whether one works better than the other? Can you do one to the exclusion of the other, or do you have to do both? Can you do it on the demand side, just say "No"?

Mr. MORGANTHAU. People are always looking for some easy answer on the drug business, and in my view it is a many faceted problem. You have got to cut down on the growth in the countries that grow it. You have got to increase interdiction.

You certainly have to have law enforcement. You have to have education, you have to have treatment. Treatment is a long-run solution. It is a sound one, but I guess it was Sir John Maynard Keynes said, "In the long run we will all be dead."

It is a long-term solution, but certainly one of six or seven things that needs to be done.

Senator KERRY. Has the average age at which young people are using drugs or experimenting with it changed in the last 5 or 6 years?

Mr. MORGANTHAU. I do not see that; no. And I thought that that study that was made at the University of Michigan, you know, used the wrong sample. I mean, they were looking at graduating high school students. They should have looked at dropouts.

They should have looked at the whole spectrum of students to see what the impact of drugs was.

Senator KERRY. How would you describe the level of cooperation between the local and State agencies and Federal agencies?

Mr. MORGANTHAU. I think it is good. We work very closely with the Drug Enforcement Agency on drugs. And fairly recently we have begun to work with the FBI. I think the level of cooperation is good.

If I may just say this, the problem is the Federal people do not have the resources. I mean, for the whole State of New York you have less than 300 Drug Enforcement agents, and that is a corporal's guard. We work very well with them and they are a very professional organization, but they do not have the manpower to make the number of cases that need to be made.

Senator KERRY. This is your chance to testify, not mine, but I will just leave you with one story. When I was first assistant district attorney in Middlesex County, which is the largest county in Massachusetts, 1 of the 10 largest in America, 1.5 million people, we had no buy money at all, we had no van, no two-way photographic equipment, no uncercover available to us whatsoever.

And frankly, at that time we found it very difficult to get cooperation between the State and local level. But that is not for here.

Do you have anything that you not have been asked that you want to add before we turn to General Gorman?

Mr. MORGANTHAU. No. I think the point you made at the opening, that we are destroying governments and society in these drug-producing or transiting countries. I mean, we used to think of Colombia and Bolivia and so forth as the enemy.

I think that they are experiencing the same kind of adverse effects that we are experiencing here, except that their governments are in jeopardy and I do not think our Government is in jeopardy yet. But I think we could learn a lesson from what is happening down in those countries.

The other point I would like to make is, again people think about drugs only in terms of the sellers and the users, but what we are seeing in terms of infant mortality and child abuse and domestic violence—it is related more to the cocaine traffic—and AIDS, I think that these are to some extent unseen effects of the drug traffic that we really have to deal with.

Senator **Kerry**. I might add, when you said other governments are being destroyed and we are not yet, but I think that, for those who have been watching this closely, there is an increasing level of corruption that is extremely disturbing.

And just yesterday there were major articles. I believe one was in the New York Times. Ten percent—10 percent of the police force of the Miami Police Department is being purged because it has been compromised for dealings with drugs.

And there was a story about how these officers began by just taking the money that was in a car when they arrested a drug dealer. They found that pretty easy. Then they started taking the cocaine itself and dealing with that, plus keeping the money.

And that led to the next effort, where they began robbing the drug dealers' boats and ultimately were dealing themselves in millions of dollars of drug trafficking. Now, that is a example of the sort of two bullets or gun routine in a different way.

But it is part of the choice that we face. And again, later in the week a couple of our witnesses will talk about how they would bribe people in customs, in police departments, and so forth, and the power of that dollar.

Mr. District Attorney, I want to thank you for being here. I think you have helped us to create the framework for what we will hear later. And you bring a very important perspective to this.

And we also are very grateful to you for the work that you have been doing and thank you for coming.

Mr. **Morganthau**. Thank you very much for highlighting this crucial issue.

Senator **Kerry**. I would like to ask General Gorman if you would now come forward.

General, we welcome you here. General Gorman has had a most distinguished career, serving in the Armed Forces of the United States some 40 years of active duty. He has been a commander of a battalion in the infantry in Vietnam, an operations and plans officer in Vietnam, assistant for counterinsurgency in the Office of the Defense Secretary. He was on the delegation staff to the United States peace talks in Paris about Vietnam.

He was commander of the first brigade of the 101st Airborne, again in Vietnam, the assistant commander of the U.S. Army Infantry School, the deputy chief of staff for the U.S. Army Training and Defense Command.

He was commander of the Eighth Infantry Division, Mechanized, U.S. Army Europe. He was national intelligence officer with the CIA. He has been with the Division for Plans and Policy, Assistant to the Chairman of the Organization of the Joint Chiefs of Staff, and finally, served from 1983 to 1985 as Commander in Chief of the U.S. Southern Command.

He holds a number of degrees, including one from the War College and a master in public administration at Harvard. He has had a most distinguished career.

I might say that the reason General Gorman is of particular competence to testify before this committee is that for a long period of time he has been sounding the alarm bell with respect to this question of narcotics. He has written about it, argued about it, spoken about it. And he comes here as a very knowledgeable individual with respect to what is happening in the southern hemisphere as the former commander.

General, we are delighted to have you here and we appreciate your taking the time. And I take it you have an opening statement.

STATEMENT OF GEN. PAUL GORMAN, USA (RET.), FORMER COMMANDER, U.S. SOUTHERN COMMAND

General **GORMAN**. Thank you, Senator Kerry.

I would add one footnote to the biography: Entered the Federal service from the State of Massachusetts.

Senator **KERRY**. That is not a footnote, General. That is a major qualification. Thank you.

General **GORMAN**. It is true, sir, that in nearly all of my official reports and in my speeches and in my writings since 1983 I have characterized narcotics trafficking from Latin America as a threat to the national security of this country.

After I left active duty in 1985, I served as a consultant to the President's Commission on Organized Crime and prepared a detailed written report for the Commissioners, which set forth the reasons why I believed that the administration and the Congress should formally adopt the view that national security was involved in drug trafficking.

I have three times testified to committees of the Congress on this subject, and I have met individually to discuss that testimony with Members of both bodies. So, I am very grateful to you for this opportunity to reiterate my conviction that the American people must understand, understand much better than they ever have in the past, how their safety and that of their children is threatened by Latin drug conspiracies dramatically more successful at subversion in the United States than any that are centered in Moscow.

Now, I did not come up to talk today about El Salvador and I do not know anything about the proposal to implant a phony shipment of arms in El Salvador. It would have been a very stupid move in my view.

But I would like to make the point, Senator Moynihan, because I think it is germane to the topic here today, that I do indeed remember your speech in 1983, and both Ambassador Pickering in San Salvador and I resolved to test the thesis advanced by the rector of the University of San Salvador.

And in August 1984, I presented to the Select Committee on Intelligence of the Senate the results of that investigation. We sent people into the countryside to buy arms. We made every effort through the Salvadoran Armed Forces to collect documents which contained in them references to arms in the possession of the guerrillas. We examined weapons taken from the battlefields. We collected in all over 500 weapons which had serial numbers on them which could be traced.

Seventy percent of those weapons were weapons that were shipped from the United States to the Republic of Vietnam during the Vietnam war and in our view could only have entered El Salvador via the Communist-infiltration system.

Over 20 percent of the weapons we had no records of. We had very good records of the weapons we shipped into El Salvador. So, my conclusion at the time was the rector was simply wrong.

Now, he may have been right in the sense that in 1983 no weapons were coming in because the weapons were already there and what was coming in was cryptologic material, people who had been trained on the outside and were being returned to lead the effort on the inside, ammunition, et cetera.

I did report to your committee, you will recall, a specific instance where, while we did not get a smoking gun, we did come very close to doing so, and in the ensuing battle picked up on the battlefield three rocket launchers of Chinese manufacture, the serial numbers of which were identical, that is to say in the same series, as those found in a warehouse in Grenada in the previous months.

So, my conclusion is quite contrary to yours, sir. I think the Nicaraguans were complicit in moving arms into El Salvador.

Now, my point in that being germane to these proceedings is simply that I was able to investigate that hypothesis, because the United States had in place a tactical intelligence mechanism in Central America which could be brought to bear on issues that were considered germane to the national security and of interest to the Congress of the United States.

There is no comparable apparatus being brought to bear on the international drug traffic. And that, sir, I think is a matter of interest to you in your present pursuits.

Now, let me detail four reasons why I believe that drug trafficking is a national security threat. First of all, as Mr. Morgenthau made very evident, most of the illegal drugs which are purchased by Americans come from Latin America and the Caribbean, and present and foreseen consumption of these drugs will subvert millions of Americans from productive pursuits and it will channel enormous amounts of money into the heads of foreign criminals who are avowed enemies of this country.

I have seen credible estimates, Mr. Chairman, that the aggregate annual financial impact of the Nation's drug habit, taking into account that lost productivity, taking into account clinical costs, taking into account public information campaigns to cut consumption, taking into account the expenditures within our legal systems, as well as all of the efforts of the United States overseas to interdict smugglers or to eradicate the plants where grown, taking into account all of that, you are looking at a sum of money which approximates what we spend for national defense—an enormous outlay.

My second reason for believing this is a matter for national security is that the Latin criminal cartels who have profited from the depravity of some Americans constitute an international underworld so extensive, so wealthy, and so powerful that it can literally buy governments and destabilize entire societies—your point about the offers to pay off the national debt of two nations in the region.

This underworld, owned and operated by these cartels, specialized as it is for the smuggling of narcotic and psychotropic substances and for the movements of large amounts of money, often in large sums of American greenbacks, this network has lent itself to the pursuits of those who are engaged in illicit movements of arms or munitions for whatever purposes.

If you want to move arms or munitions in Latin America, the established networks are owned by the cartels. It has lent itself to the purposes of terrorists, of saboteurs, of spies, of insurgents, and of subversives.

While the interests of the narcotraffickers are not always identical to these others, the prevalence of their cooperation country by country reflects their common outlaw status and their common interest in ineffectual government in any democratic country.

And in this respect, I think it is germane to note that among our neighbors only the Governments of Cuba and Nicaragua have refused to cooperate with our own Government against the narcotics traffickers and have instead given them safe haven and other assistance.

My third reason for my conviction that this is a national security matter rests on the fact that drug trafficking, as Mr. Morgenthau alluded to, constitutes a clear and present danger to the very survival of democracy in certain countries which have long been friends and allies of the United States.

Now, there are many countries that are so imperiled, but I am confident that none is at the moment more threatened than Colombia, a democracy particularly deserving of our national understanding and support. America's drug habit, our consumption of Colombian drugs, has brought to the people of Colombia political chaos, social upheaval, and pervasive fear.

Colombia's system of justice has been directly attacked and severely impaired by thugs and guerrillas acting for the narcotraffickers. Last week's Washington Post carried an article which asserted that more Colombian males age 14 to 44 die of assassination—lead poisoning, Mr. Chairman—than any other malady. And if that is true, that statistic makes Colombia uniquely unfortunate of all the nations of the world.

I will return to a further analysis of Colombia if I may in a moment.

My fourth reason for asserting that this is a national security matter is that Latin drug trafficking directly detracts from our ability to defend ourselves from military attack. Drug abuse has affected readiness within our Armed Forces and it has figured in foreign espionage aimed at penetrating our most carefully guarded defense secrets.

Despite significant diversion of military force to assist U.S. law enforcement agencies in interdicting smugglers from the south, the United States is today unable to detect, let alone to apprehend, drug traffickers penetrating our most vital strategic zone from the south, whether by land or by sea or by air.

And that is hardly a tolerable condition of national security in the age of the Cruise missile and in the age of the international terrorists with access to very sophisticated and dangerous weapons.

All four conditions that I have cited to you as national security threats have deteriorated since 1983. Mr. Chairman, despite extensive efforts on the part of the U.S. Government to encourage foreign governments to eradicate cannabis, coca, and opium poppies, and to promote alternative agriculture, despite its extensive interdiction efforts involving unprecedented cooperation among U.S. Government agencies, and with foreign governments and their security agencies, and despite some striking successes in law enforcement both here and abroad, this security threat has grown.

The tendencies, as far as I know them, are all adverse. Hence, I see a need for reassessment and readjustment. As in any other area of national strategy, if our adversaries seem to have outwitted and outmaneuvered us, then it is time for us to reexamine both our strategic ends and our strategic means.

And I propose to conduct such a reexamination for you in the context of Colombia. Most of your constituents, Mr. Chairman, may have difficulty in remembering Colombia as the country from which Panama was carved back at the turn of the century. Few will recall that Colombia has a long record as a staunch ally of the United States.

Mr. Morgenthau indicated that he remembers them as an enemy. I remember them as fellow soldiers in Korea, and I am one of the dwindling number of Americans who can bear personal witness to the sacrifices of Colombian soldiers amid Korea's shell-scarred, snow-covered hills.

Not many Americans will understand that between Colombian and American military professionals there remains a mutual respect and understanding of longstanding, such as exists in very few countries of the world outside of NATO. For example, Gen. Jack Galvin, the Supreme Allied Commander, Europe, was trained as a junior officer in the Colombian Ranger School, the Esquella de Ranchero, and owes to that experience his proficiency in martial Spanish.

Mr. Chairman, Colombia is a democracy. It has a remarkable record of freedom from military intervention in politics, and in recent decades a record of economic growth and political vitality.

Most Americans have seen Colombians only in those televised coffee advertisements such as those which portray Juan Valdez who is up there picking the coffee beans one by one when they are perfectly ripe. The trouble is, as you know better than most, Mr. Chairman, for both Colombians and Americans the real Juan Valdezes have long since abandoned coffee picking for coca and cannabis, agricultural employment which pays them 10 to 20 times more.

Colombia has been the proximate source of 50 percent of the illegal substances, the product of such plants which were smuggled into the United States as measured by value. By volume, Colombia has been the source of more than 75 percent of the cocaine and 60 percent of the marijuana.

And of course, in Colombia criminals have organized themselves into elaborate conglomerates for the purposes of growing, harvesting, processing, transporting, selling, and repatriating their profits from cocaine and marijuana. Men like Pablo Escobar, the Ochoa brothers, Jaime Guillot-Lara, Carlos Lehder Rivas—these men formed large, continent-spanning, ocean-crossing organizations, Mafia-like rings capable of very large, very complex undertakings demanding significant discipline and very tight management.

They built coca processing centers in the trackless rain forests of the Amazon River Basin in Colombia, factory complexes which were capable of converting a mash of coca leaves, termed paste, into crystalline cocaine, and doing so in quantities of tons per week.

One of the dramatic aspects of this problem is that if one looks at the potential output of such factories, it is many times what we have seen here in the United States in terms of estimated consumption. So, there must be somewhere an enormous reserve of this material available to these combines.

In order to do this, amid a trackless jungle—there are no navigation aids out there, no radars, no roads, virtually no infrastructure, these organizations had to fly in virtually all of the wherewithal for this enterprise, generators and fuel, heaters and driers, reagents like alcohol, sulfuric and hydrochloric acid, acetone, ammonia, potassium carbonate, and potassium permanganate, kerosene, gasoline, and diethyl ether.

Most of the raw materials, the coca paste, is flown in from Peru and Bolivia, converted in the factories, or as they are known, the laboratories, into crystals of cocaine hydrochloride and then flown out across the Caribbean or Central America to the United States.

From coca leaf to successfully smuggled plastic bags of this white powdery substance, then, these criminals effect a transformation which reduces weight and volume by three orders of magnitude, and it pays them better than $5 in profits for each $1 they invest in all of that process, a very, very handsome return on investment.

Now, I want to make a point which again takes issue with one of the points advanced by Mr. Morgenthau in his excellent presentation. The huge sums of money that flow back to these criminals are held outside of the formal economies. That is black money. It means that it circulates dysfunctionally outside of the Colombian Government's plans to control inflation and unemployment, to share wealth with Colombia's poor and disadvantaged, or to invest in education or other long-range projects to ameliorate economic discontinuities. That is not the kind of aid that President Vargas or President Betancourt was looking for from the United States. The kind of aid that they were looking for we did not proffer.

In time, as we have noted, the narcotrafficking organizations became richer than the government and through bribery, extortion, and intimidation, in many respects better informed and more politically powerful.

Mr. Chairman, when I first visited Colombia in 1983—and this goes to the observation of Senator Moynihan—the narcotics problem was not very high on the agenda of the Embassy of the United States. I was initially interested in the possible connections between the narcotraficantes and the guerrilla organizations of Colombia, and those relationships existed, and the Embassy was able to detail some of what they referred to as the narc-FARC connection.

But they were very clear, the members of the country team, that I should expect no interest on the part of anyone in Colombia in doing anything about such connections, and in particular, I should expect no interest on the part of the Colombian military. The view was that the Colombians regard this drug trafficking as a problem of the United States. It was the American consumer which caused it. The narcotraficante was, in effect, a Robin Hood who was robbing these concupiscent Americans on behalf of Colombia's poor, and therefore, we had to fix the problem up in the United States. It was not a problem to be dealt with in Colombia.

And the Colombian military, I was told, would be persuaded that for them to involve themselves in any action which infringed on the prerogatives of the narcotraficantes would be to invite large-scale corruption within the Colombian military, an event which had occurred in previous years when Colombian governments tried to turn their security apparatus loose on the narcotraficantes.

I soon discovered, however, that there were a number of senior Colombian officers, men whom I came to respect deeply as persons as well as fellow military professionals, who held a very different view from that reported by our Embassy. They recognized what the narcotraficantes really meant, not only in terms as a source of intelligence and funds for the guerrilla organizations that they were locked in combat with, but as a long term threat to the whole social fabric of Colombia.

And I left from my initial visit convinced that there was very much more to be learned about this whole subject than one could in the American Embassy in Bogota.

Shortly thereafter, President Betancourt began to move to deal with a problem of drug abuse in Colombia occasioned by what I have termed was the narcotraficantes' decision to foul their own nest. They began to sell in Colombia the byproducts of this processing that they conducted out in the jungles, and in particular, a product called "bazuco." Bazuco is like crack in that it is a smoked compound. Usually one takes marijuana or tobacco, dips it in the coca paste, and sells that. It is a putative aphrodisiac. It sold very well among young Colombian males.

And there was as a result of all of that a series of incidents which caused the president ultimately to close the national university. There was a series of suicides among Colombian youths, very similar to those reported by Mr. Morganthau. And the president was impelled to direct the Colombian security forces to strike out into the jungles and go after the laboratories.

That decision led to the murder of the minister of justice in early 1984, and thereafter, the Colombian Government found itself, whether it wanted to be at war or not, very much on the battle lines. A state of siege was declared, martial law was decreed for association with the narcotraficantes, and the Colombians have since been engaged to an incredible degree in a violent campaign against the criminals.

You may be aware, of course, that the Colombians sought our assistance. We responded chiefly by talking about the extradition treaty between the United States and Colombia, seeking to bring people like Escobar and Ochoa and Carlos Lehder Rivas before American justice. This was countered by a threat from the Colombian narcotraficantes to kill five Americans for every Colombian extradited to the United States, and in effect, condemning to death any Colombian who aided such an extradition.

Murders per capita in Colombia have been five times more frequent than those in the United States. Dreadful as our criminal statistics are, Mr. Chairman, in brief, imagine the suffering of the people of Colombia. Half of Colombia's supreme court judges have been assassinated; more than two dozen other judges have been killed; the editor of the second largest newspaper in the country; hundreds of police officers; and of course, innocent bystanders and relatives of victims also by the hundreds. Many a judge's bench sits empty in Colombia today because lawyers fear to accept appointment, and sitting judges have come to know that to approve a U.S. extradition request is to sign their own death warrant.

And of course, recently, the Colombian supreme court, perhaps understandably, declared that the United States-Colombian extradition treaty was unconstitutional.

It was after this act by the supreme court, however, that the attorney general of Colombia was executed.

Now, in waging this war, the Government of Colombia is operating under enormous disadvantages vis-a-vis their opposition. The narcotraficantes have available to them the most modern kinds of air transportation, the best of modern communications. They use satellite radios, for example. They have encryption devices, voice privacy mechanisms. I have seen equipment used on the aircraft that fly between the United States and Colombia, and I can assure you that it is more sophisticated and more facile than the equipment that I had on my aircraft of the U.S. Air Force in the U.S. Southern Command. The criminals have the latest and the best.

And compared with that, the Colombian Government had equipment that dated back to the 1960's. For example, the national communications system, the government communications system, is terrestrial microwave with no voice privacy, no encryption. We know that it is regularly intercepted, indeed, used by the narcotraficantes, and the Colombian Armed Forces are well aware that the narcotraficantes can track the movements of Colombian Armed Forces and aircraft and ships better than their respective commanders, know more surely where they are and where they are going.

Now, Mr. Chairman, I cannot assess our domestic counterdrug programs. I just simply do not know enough about them. I have a strategic sense, however, that one cannot operate on demand alone. You have to operate on everything that we can operate on, supply and demand as well. That was the conclusion of the President's Commission on Organized Crime, and I certainly endorse that idea.

I can offer some evaluation of our overseas efforts against the narcotraficantes which I find to be discouragingly ineffectual. I have argued for years that our national strategy ought to include a strong effort to back Colombia's attack on the narcotraficantes, and to back an attack where those apparatuses are most vulnerable, in their production centers.

We have tried to do so, I will readily admit, but I also maintain that our efforts have been half hearted. I have four specific points of criticism.

First, we have been promising the Colombians materiel help since 1983. We have simply not delivered. Whether that help is radars or modern helicopters or actionable intelligence, the rhetoric of the United States has consistently outrun its performance.

Second, we have reached for short-term measures, in effect, applying Band-Aids to what is a massive societal trauma. We have not sought to devise with the Colombians a long-term comprehensive strategy for dealing with the narcotraffickers, one which would draw upon all the respective strengths of both countries.

Third, we have failed to bring American technology to bear, either for short-term tactical advantage or for longer range developments which might promise a decisive strategic defeat for the narcotraficantes.

And fourth, the United States has failed to engage the capabilities of the Colombian Armed Forces.

I am very much aware, Mr. Chairman, that recent United States Ambassadors have been skeptical of the willingness of Colombia's military leaders to accept a major role in a campaign against the drug traffickers, and I know that they are doubtful of the capabilities of Colombian forces, even were those forces to be committed. It is clearly the case that many senior Colombian officers fear the intimidation and corruption which is bound to follow upon any large-scale effort against the drug traders, and it is also true that many of these officers believe that the drug traders are a matter for the police, not the military. In short, they disbelieve that the narcotraffickers threaten Colombia's national security. These officers want instead to concentrate on the guerrillas.

But, as I have said, there are a few, fortunately senior and influential officers who have a very different view of the matter who are prepared to see in the drug trafficking a threat to Colombia's very survival and are prepared to accept the dangers entailed in a campaign against the narcotraffickers.

These officers would probably advocate a small, handpicked elite force with unique training and equipment, a force carefully guarded to deny its penetration by the narcotraffickers. My own estimate is that they could in fact raise such a force, and especially they could do so were the United States prepared to provide it significant assistance in equipping, training, and supporting it with command, control, communications, and intelligence.

How would such a force be employed? It seems militarily self-evident that one should attack where the foe's greatest vulnerability lies, at the centers where the processing of the drugs occurs. Such centers can be located by technological means, as well as using informants, and they can be assaulted while active. We have demonstrated that.

Moreover, most such centers are dependent upon air support, so that a strategy which aimed concurrently at gaining and maintaining superiority over Colombian airspace could inflict mortal damage on the narcotraffickers.

Even short of air superiority, information about the aerial comings and goings would enable early warning of U.S. agencies, law enforcement agencies, and more responsive and effective interdiction efforts on the U.S. border.

Now, my next point again goes to some of the earlier remarks about the centrality of money in this process, and knowing that this room was, I gather, where you have been holding your INF treaty hearings, let me borrow a little bit from the parlance that one uses in thinking about nuclear strategy to remind you that counterforce is not an effective strategy in dealing with low intensity conflicts. One should reach, rather, for countervalue strategies, and here plainly, the narcotraficantes do not really care about the drugs. They want the money. That is what the name of the game is. And so strategies which aim at blocking or seizing the sums of money involved in this business seem to me to be inherently more valuable than strategies which are aimed at dealing with the substances themselves.

I am absolutely convinced, of course, that we must do both, but we are just now beginning to think through the implications of the movements of these huge amounts of illegal money—the illegal movements of these huge amounts of cash entailed in this business. That genuinely is a matter where I think the United States can make a great deal of progress to the benefit of its foreign policy and its allies.

My next point, Mr. Chairman, is that I believe that this committee has got to reconsider its attitudes toward security assistance. We talked about foreign aid in the present presentation, but I am absolutely convinced that unless the United States is prepared to provide assistance to the foreign security apparatuses of these beleaguered countries, they cannot carry their weight in this struggle.

Now, the way to go about effective planning and operations is for the Secretary of Defense to task the U.S. Commander in Chief Southern Command, to do the job, to concert an appropriate plan with the Colombian Minister of Defense, coordinating the while with the Ambassador to Colombia, and that Ambassador should receive parallel tasking from the Secretary of State to fit the military plan into a broader United States-Colombian national plan. Both the CINC and the Ambassador will have to be backed with resources to ensure implementation.

And Mr. Chairman, those sorts of directives have not come from Washington on either side of the bureaucratic chain of command.

I remain convinced that an effort to attack the sources of narcotics in the Colombian source, to assert control over the Colombian airspace, and to provide early warning of attempts to penetrate United States territory will be a much more cost-effective way to proceed than investing further in attempts to interdicting our borders. A dollar spent in Colombia, I am confident, will produce far more effect on this equation than a dollar spent on additional AWACS flights over the continental United States.

Finally, Mr. Chairman, and consistent with what I have been trying to get across, I would also recommend a long-range research and development effort to provide our military services and our law enforcement agencies with decisive new advantages. This phenomenon that you have correctly brought to the attention of the Congress will not go away anytime in the near future. It will be with the next President and his administration and probably with other Presidents and their administrations in the years thereafter. As Mr. Morgenthau said, as long as there is a demand, there probably will be a supply.

Recently there have been a series of studies in the Government of what might be done about these matters. Here, for example, is a summer study of the Defense Science Board which is entitled "Detection and Neutralization of Illegal Drugs and Terrorist Activities." It consists of several hundred pages of analyses and recommendations on technologies that could be brought to bear on this problem. To my knowledge, no action has been taken yet within the Department. That needs to be pressed ahead.

Here is a report presented to the President just within the past few weeks, the Report of the Commission on Integrated Long Term Strategy. In this report they deal with the problem of tactical intelligence for the purposes of dealing with the kind of violence that we are just discussing, low-intensity conflict. Certain technologies, according to this report, can be especially helpful in bolstering tactical intelligence, and these include advanced information processing systems, low-cost space systems—it seems evident on the face of it that we at least ought to offer the Colombians some satellite access—networks of sensors and other microelectronic equipment to monitor the movements of opposing forces, bio- and micro-mechanical sensors with vastly expanded capabilities for detecting explosives and narcotics, vivid digital graphics of dangerous areas or areas denied to U.S. advisors to permit reconnaissance, rehearsal of plans, and training for specific operations of the sort to which I made earlier allusion.

Mr. Chairman, only the Department of Defense has an R&D community sufficiently robust and experienced to develop such technologies. But although the Defense Science Board and the Defense Advanced Research Projects Agency have separately within the past 12 months identified specific R&D projects worth pursuing toward the objective of curtailing narcotics trafficking, neither has found a champion within the Department of Defense willing to attest that the requirements are real and worthy of priority over other claims for scarce Defense budget dollars. In fact, this may be one set of requirements that you here in the Congress are going to have to assert for the Department of Defense.

Mr. Chairman, I have been talking about Colombia, but plainly, Colombia should be considered as typical of other nations in Latin America and the Caribbean basin where drug trafficking has both threatened the indigenous government and engaged the national security interests of the United States.

Measures such as I have proposed could also be taken in these countries, appropriately coordinated by the regional commander in chief through each U.S. Ambassador.

I conclude, sir, by repeating what I told the Subcommittee on Defense of the Senate Committee on Appropriations in June 1985. I then stated that cocaine, marijuana, and heroin illegally imported from Latin America constitute, and I quote, "a threat to the Nation of such a magnitude that it requires us to bring to bear all our societal defenses, both our criminal justice apparatus and our national security forces."

Events since these dread statistics to point, certainly provide me no basis for altering my judgment.

Thank you very much.

Senator KERRY. Thank you very much, General. I appreciate the detailed discussion of Colombia, because I think that helps us to underscore what I said at the outset, that these hearings are not only about Noriega and Panama, they are about a problem that is larger and that is really of epidemic proportions.

I do, however, in my questions want to talk about General Noriega somewhat, and I want to talk about Panama and some of the other issues about groups that get hold of narcotics and utilize them on their behalf.

Let me, by way of building the record, however, begin first of all with a general discussion, if we can, on the Southern Command.

You went there in 1983; is that correct? You assumed command?

General GORMAN. That is correct, Senator.

Senator KERRY. You were there from 1983 to 1985.

General GORMAN. Right.

Senator KERRY. Can you describe for us the scope of the Southern Command?

General GORMAN. The Southern Command has purview over United States military activities in the region from the Mexican-Guatemalan border south on the land mass of Central and South America.

Senator KERRY. So, you are familiar, therefore, with narcotics problems that we have with Mexico, narcotics problems growing in Central America generally? Can you answer affirmatively, because your nod cannot be recorded. I just want to make sure we keep the record straight.

General GORMAN. I am sorry. I nodded affirmatively.

Senator KERRY. The Southern Command is based in Panama; is it not?

General GORMAN. Yes, sir, unfortunately. I have testified before the Senate that I regard the presence of the headquarters there as singularly dysfunctional.

Senator KERRY. Do you want to describe why?

General GORMAN. It is the only headquarters of a U.S. combatant command, the gates to which are guarded by foreign troops, and the water, sewage, electricity of which is under control of a foreign power, and, at the moment, I would have to say probably a hostile power; not a very useful kind of a posture for a headquarters involved in significant military undertakings.

Senator KERRY. Is it possible that those very facts are part of the reasons that the powers that be of Panama may have been permitted to do things that otherwise might be prohibited?

General GORMAN. I suspect that, first, we would have been much better had the Government taken my advice tendered first in 1983 and gotten the headquarters out. There would have been a lot less concern about Panamanian attitudes toward our activities.

Second, the reasons were less concern over insecurity of the headquarters than the simple ability readily available to the Panamanian Defense Forces to make life uncomfortable for Americans living in Panama.

The Panamanian Defense Forces issued the license plates for the automobiles.

The Panamanian Defense Forces laid down the rules and regulations regarding the wearing of the uniform. The soldier wearing the uniform downtown in Panama City, for example, is subject to arrest.

The Panamanian Defense Forces had demonstrated in the years before I went down there, 1981 and 1982, an ability to make life extraordinarily uncomfortable for American servicemen stationed there.

One was, therefore, interested, and I was certainly interested, in maintaining good relations, but I can assure you I would not have in any sense done so at the sacrifice of carrying forward a charge of complicity in drugs against any member of the Panamanian Defense Forces.

Senator Kerry. This is probably an appropriate place to make it clear in the record, also, that when you arrived in Panama in 1983, there had previously been a kind of tension between the military command and the State Department down there as to who was going to deal with General Noriega. Is that accurate?

General Gorman. At the time it was General Paredes, who was the commander of the Panamanian Defense Forces, then the Guardia Nacional at the Panamanian National Guard.

Paredes had political ambitions and, in fact, the first summer I was there retired so that he would be eligible to run for president in the elections of 1984. He had already begun to make political statements, and the Ambassador had had a falling out with him over his political activities.

My actions upon arriving on the scene were simply to tender the whole problem of relations with the guard to the Embassy, saying, in effect, "Look, we have an election coming up in this country. This is going to be a very political year ahead. The United States Southern Command has many problems on its list of missions which are going to require my frequent absence from the country, so you, Mr. Ambassador, are going to call the shots here, and my instructions to my subordinates were to do nothing that was not decided upon or cleared with the Embassy."

Senator Kerry. Now, the military command had under its control, did it not, several intelligence agencies. Is that accurate?

General Gorman. Yes.

Senator Kerry. Would you describe those for us?

General Gorman. I would prefer not to.

Senator Kerry. I do not mean describe them in detail but just by heading. The Navy had one; the Army had one. Is that accurate? Each had its intelligence unit?

General Gorman. Yes. Each of the service components under my command had intelligence organizations. They were a nexus of various kinds of organizations with varying capabilities, and they changed from time to time.

Senator Kerry. Prior to your arrival in Panama as commander, you received both from general sources, diplomatic network, word of mouth, et cetera, as well as from intelligence sources briefings and knowledge of the region; did you not?

General Gorman. I did.

Senator Kerry. Did that knowledge include a knowledge of Noriega and his nefarious activities?

General Gorman. Noriega was, at the time, a colonel, the head of Panamanian intelligence. Yes, he was identified to me.

After I became the commander in chief, I had an investigation conducted into Colonel Noriega's connections and activities. The picture that emerged was definitely not one of a blue-collar criminal. This fellow was or at least behaved as though he was a businessman. He had holdings in all sorts of commercial enterprises:

shipping firms; airlines; various kinds of importing and exporting activities.

It was quite evident that very little was going on of a commercial nature in Panama from which he did not in some sense directly profit. He was making money and making money in a very diverse way.

Senator KERRY. Did you understand precisely how he was doing that?

General GORMAN. No.

Senator KERRY. Did you come to learn that?

General GORMAN. No.

The reports that I got were all of the second- and third-party nature: It is rumored that, it is reported that, we believe that this and thus is so.

What I got was the impression of a man who was certainly venal, was involved in a lot of very, very shady kinds of undertakings; but I never saw a report that pinned him specifically to a criminal act or undertaking of the sort that one could adduce in a court.

Senator KERRY. Were you there at the time that Dr. Hugo Spadafora was killed?

General GORMAN. No.

Senator KERRY. You had left just prior to that?

General GORMAN. That is right.

Senator KERRY. That was late 1985, I guess.

Now, when did you first hear that General Noriega was involved in laundering drug money in the narcotics business?

General GORMAN. In the President's Commission on Organized Crime there were documents that were put in front of us for our examination. I was asked to comment on all of that.

Senator KERRY. When was that?

General GORMAN. 1986.

Senator KERRY. Prior to that, while you were in Southern Command?

General GORMAN. No; to the contrary. The representations that were made to me then by presumably knowledgeable officials of the Embassy were that General Noriega was a major contributor to American efforts to do something about narcotrafficking.

Senator KERRY. If I could just interrupt you for a minute.

Those responses were in response to your inquiries of concern, were they not? You were raising this issue as one of concern?

General GORMAN. Yes.

Senator KERRY. You were told essentially "No, General, do not worry, things are OK?" Is that accurate?

General GORMAN. That is accurate.

Senator KERRY. Now, can you tell us what officials shared that with you?

General GORMAN. Again, I would prefer to identify those officials, because of their job, to you in executive session.

But suffice to say, they were in a position to know. They pointed out to me that General Noriega, by this time now a general and by this time a commander of what he had renamed the Panamanian Defense Forces, had cooperated with the United States to the extent of identifying and destroying a large shipment of diethyl ether, one of the reagents used in cocaine processing, and General

Noriega had conducted an attack on a Colombian drug processing laboratory that he had detected in the Darien.

These were cited as just the most visible evidences of the degree to which he was cooperating with American agencies concerned with such matters.

Senator KERRY. Now, it is true, is it not, that of the 23 people arrested, including General Noriega's secretary or, I believe, second in command, Lieutenant Mello, who were arrested at Darien, they were all released subsequently? Is that accurate?

General GORMAN. I cannot testify to that. I do not know.

Senator KERRY. Well, there will be later testimony in the course of the hearings as to what happened.

General GORMAN. Yes. I know that Mello was in Venezuela, I believe.

Senator KERRY. You know Mello, who was arrested in Darien, to be who?

General GORMAN. I cannot say. I do not know.

Senator KERRY. Now, General, were there officials within our Government during that course of time that you were there and subsequently who wanted to take action against Noriega?

General GORMAN. I do not know anyone who has ever dealt with General Noriega in an official capacity for the U.S. Government that would not have preferred to be dealing with somebody else.

Senator KERRY. More specifically, were there not efforts made by some of these people to push a specific detachment process, to say we have to move to the alternative? Were there not specific recommendations by people?

General GORMAN. I did not hear any when I was in office, Senator.

Senator KERRY. Did you make any?

General GORMAN. No, I did not. My attitude on Noriega is very similar to that of Mr. Morganthau. I see him as a pimple on the rump of the elephant. He was certainly not a major strategic factor, in my view, given the missions that I was discharging for the Government. He was a very minor player.

Senator KERRY. What services did General Noriega perform for the United States, to your knowledge, that gave him this claim on us?

General GORMAN. Well, to cite my own particular relationships with him, he promised to permit me to retain the School of the Americas in the Republic of Panama, a move that would have been advantageous for Panama and for the United States.

He did not deliver on that promise. So, as far as the one thing that I personally asked of him, I got nothing for that relationship.

Concerning the other contributions that he is alleged to have made, I can only say "alleged" because I get it secondhand. He was dealing with officials of the Embassy on matters pertaining to drug trafficking, which we just discussed; and on the Cuban presence in Panama, one of the largest in the hemisphere. Just off of the end of the runway of Howard Air Force Base belonging to the U.S. Southern Command is the Pacific base of the Cuban fishing fleet. There is very substantial coming and going of Cubans every week to and from that installation.

Senator **Kerry**. Were you aware at any time of his trafficking in visas for Cubans?

General **Gorman**. I knew that he was deeply involved in the comings and goings of Cubans.

Senator **Kerry**. Do you want to be more explicit?

General **Gorman**. No, I do not think so.

Senator **Kerry**. Not at this time?

General **Gorman**. Right.

Senator **Kerry**. We will get it out in executive session.

General **Gorman**. Yes, I think you need an executive session.

He traveled widely, and he reported to American officials on his travels. He traveled in France, in Northern Africa; he visited Cuba frequently and had conversations with Fidel Castro; and he provided reports concerning these conversations.

I do not think any of us put much credence in what he said, but there certainly was that kind of——

Senator **Kerry**. When you say "none of us put much credence," he was a CIA operator. He was working with the CIA at that time; correct?

General **Gorman**. I do not want to testify about that.

Senator **Kerry**. Well, it has been published.

General **Gorman**. I did not put much credence in it.

Senator **Kerry**. It has been publicly stated in most journals in the United States that he was working for the CIA at the time. Is that not a matter of public record?

General **Gorman**. Most journals in the United States are wrong most of the time about such matters, Senator.

Senator **Kerry**. Are they wrong about that one, or you do not want to testify?

General **Gorman**. I do not want to testify.

Senator **Kerry**. When you say "We did not put much stock in what he was saying," why was the relationship important, then?

General **Gorman**. It was not important to me.

Senator **Kerry**. Why was it important to others?

General **Gorman**. I cannot testify. I do not know.

Senator **Kerry**. You have no sense of that at all? Speculatively, you have no opinion as to why people found it still important?

General **Gorman**. I could certainly repeat what I said before. Our headquarters was there. We were, in effect, in the hands of this man.

Second, he did have significant power to harass, to intimidate, and to make life difficult for the men and women of my command. I, therefore, treated him with a degree of circumspection. I would not do anything to irritate him lest he indulge in one of his picayune acts of retribution, of which we knew him to be fully capable.

Senator **Kerry**. I want to come back to General Noriega in a couple of contexts, but I would like to keep going on this broad issue that we are talking about a little bit, because I think it ties into it and to some of the final questions about it.

Have narcotics traffickers begun to operate out of Costa Rica and to establish airstrips and other infrastructure in Costa Rica?

General **Gorman**. I began to see as early as 1984 evidence of increased traffic out of Colombia and out of Panama into Costa Rica.

I know from my own sources and from that of other agencies that there was a significant increase each year in 1984 and 1985 when I last looked at it.

I looked at statistics when I was with the President's Commission on Organized Crime, which seemed to imply that the trafficking involved both marijuana and cocaine and that, beginning in 1984, there was a significant indigenous marijuana growing operation, particularly in the northern part of the country where the Costa Rican law apparatus is scanty, at best.

The Costa Ricans that I know, officials of the Costa Rican Government who dealt with such matters, were, at the time that I left, very apprehensive about the implications of that for the future, but I have no recent information that I could impart.

Senator KERRY. What about Cuba during the period that you were there?

General GORMAN. Cuba is an interesting case because it is on the opposite side of the ledger. All of the information at my disposal suggests that the Cubans made it possible for drug traffickers to do business without significant interference from the Cuban security apparatus.

Indeed, there is a lot of evidence that they got, in some instance at least, active cooperation in terms of ports made available, islands made available for the transfer of substances from a large oceangoing vessel to a small boat for a run-in to the United States, et cetera.

Senator KERRY. I might add that a number of our witnesses, beginning this afternoon with the personal involvements, will corroborate that in testimony.

General GORMAN. In that connection, it is worth noting, and it goes again to this hearing in 1984 that I mentioned to Senator Moynihan, in that same hearing I laid out what I knew about the movement of the Escobar cocaine processing operation from Colombia into Nicaragua, a move which was apparently done with significant involvement of Cubans.

There were a lot of goings and comings between Nicaragua and Cuba associated with the activity at Los Brasile Airport. We were very puzzled by all of that. We did not know what was going on. I did not really understand what was happening until the indictments were brought in the Federal court in Florida concerning the drug operation that Mr. Escobar was running.

That airport, Los Brasile, is north and west of the capital, and we knew it to be under the control of the ministry of the interior. What we did not understand is why all the Cubans were going and coming into that particular locale.

Well, if you can take the incidents that have been reported in court as indicative of what was happening, it is as simple as Mr. Escobar set up his drug-processing lab there with the assistance of a number of Cubans.

Senator KERRY. Did you gain evidence of increasing drug trafficking and involvement of the Medellin cartel with either Nicaragua, the Bahamas, or Mexico? Or all three?

General GORMAN. First, let me make the point, unlike Morgenthau, that I did not suffer from a lack of people who spoke the language. I had individuals in my organizations who were Colombianos, who knew the parlance of the traffickers, and my heart goes out to the law enforcement agencies that have to deal with these matters.

Without that kind of talent, the trafficking is a very difficult target. They are very circumspect. They have burst transmission communications equipment, as I mentioned earlier, a high degree of encryption. It is a tough target.

The trends throughout 1984, as near as we were able to track them from the distance at which we were then operating, were that the pressure mounted by the Betancourt government had caused a number of the Medellin cartel to make the decision to move their operations outside of the country.

One of those moves was into Nicaragua. And as I say, we did not really understand what was going on until after the DEA brought forward its evidence in court. But it does seem that that was just one of a number of such displacements.

We had reason to believe at the time that some of the operations were moved into Venezuela. We had reason to believe that some of them were moved into Brazil. We had some information, not corroborated, that some had been moved into Ecuador.

But the movements that were the easiest to follow were those into the Caribbean islands and Nicaragua. And I think that that probably happened.

Senator Kerry, I live just a few miles from a farm in Virginia which was rented by a group of Colombians and converted into a cocaine-processing laboratory. They were flying paste into the United States.

Now, when they will go to that length, you can imagine the economic disadvantage of doing that when you go from paste to crystal and you decrease the volume and weight by a factor of 200.

If they are willing to do that, they have got the wherewithal to go almost anywhere they want to. And that bespeaks the importance of regionality in addressing this phenomenon.

One of the dysfunctions of the U.S. Government in getting a handle on this is our propensity to wire up our Embassies in stovepipes. The chief of station reporting up a stovepipe, the Ambassador reporting up a stovepipe.

Very little exchange of information among the several undertakings in the region. And that kind of a regional flushout phenomenon, as I say, did not make sense because of this blind side in our military intelligence. We did not understand enough about the drug business.

Let me give you one other example which goes to this difficulty. There is a facility in Miami which is supposed to be watching the Caribbean basin for the purposes of detecting inbound drug shipments.

When I testified before the House Joint Committee on Narcotics in 1985 I took advantage of being there to walk across the street and into this center and ask to see some of their recent information pertaining to drug movements.

And I was surprised to discover in the first batch of reports they handed to me a group of reports from El Salvador, of aircraft coming and going, landing in El Salvador, and then departing on northerly azimuths, as though they were flying up into Guatemala or Mexico.

I did not have any of that kind of information available to me in my previous command. I inquired whether my successor had access to such information. The answer was "No."

There was a membrane, an artificial membrane, between the intelligence relating to the drug business and the intelligence relating to the military business. My argument then and now is that we should not allow that kind of distinction to be drawn.

And I think that much has been done within the intelligence community to break down those membranes. But I am not confident that the traditional law enforcement person looks at intelligence the way that a military intelligence officer would regard it.

The whole fixation on prosecution leads to a set of procedures and EEI, essential elements of information, which are very different from what a military intelligence operation would focus on. We need both. We have not been getting it.

Senator KERRY. How do narcotics traffickers tie in with guerrilla movements of left or right?

General GORMAN. That is different, of course, country by country. Let us start by saying that if one wants to organize an armed resistance or an armed undertaking for any purposes, the easy place to get the money and the easy places to get the guns are in the drug world.

So, whether you are——

Senator KERRY. Let me just interrupt you. You said to me earlier when we were talking that not a group, there is not a group that does not use narcotics in order to fund it at some point.

General GORMAN. I believe that to be the case. I know of no exception.

Senator KERRY. Did you run into that while you were in Central America? Did you see that happening with respect to El Salvador or Nicaragua or any of those areas?

General GORMAN. The Salvadorean guerrillas grow pot and sell it on the local markets. Virtually everybody who thinks about a revolutionary movement or a coup d'etat, et cetera, has to get money.

Now, this is, I think, a very central issue. It goes back to the point that I made about the importance of the United States getting a handle on the money flows. If you want to have a revolution, Senator, get money.

Money is what fueled the Salvadoreans guerrillas. Not Marxist ideology, but money. And the money came from diverse overseas sources. We know a lot about that now that we did not back in 1983. Or we learned a lot about it in 1983 and 1984.

But without money, there would have been less violence. Or certainly not the degree of violence that existed in that country. The most ready source of money, big money, easy money, fast money, sure money, cash money, is the narcotics racket.

Senator KERRY. Were you aware at any time of the southern front depending on narcotics money to support it?

General GORMAN. Referring to the——

Senator KERRY. Southern front in Costa Rica, the Southern front with respect to Nicaragua.

General GORMAN. Well, as I say, I knew that there were fairly sizable marijuana operations up there in northern Costa Rica. Now, whether those were Contras, you know there are 200,000 Nicas in Costa Rica right now.

And up on that border there were defectors from the Nicaraguan Armed Forces, there were so-called Contras, sometimes Contras sometimes not——

Senator KERRY. What I am trying to get at is not as specific. Based on your knowledge of how it works and what you understood from your experience down there, it would not surprise you?

General GORMAN. Not at all. Particularly if they had been on somebody's payroll and had their funds cut off, would be the natural recourse of those people.

Senator KERRY. Now, you also said that when Mr. Noriega visited the United States he visited in a different way than other people that were under your command. Can you describe that?

General GORMAN. Typically, when a senior military commander came to the United States, he was the guest of the military establishment of the United States, and would usually be escorted by myself or by one of my principals while he was up here. Normal courtesy plus our interest in hearing what he said.

So, for example, I visited this body with the commander of the armed forces of Honduras twice, the Minister of Defense of El Salvador on two occasions. The Minister of Defense of Colombia, several other visits which I did not personally attend to, came out of my command.

We never, in my memory, sponsored a visit for General Noriega. He had other mechanisms at his disposal for visiting the United States and other sponsors here. They were not the military.

And I do not think, you know, that General Noriega considered himself just a military commander. He saw himself as the embodiment of the dream of Omar Torillos.

Senator KERRY. Who did sponsor his visit when he came up here?

General GORMAN. Another agency of the Government, Senator.

Senator KERRY. Not the State Department.

General GORMAN. Not the State Department.

Senator KERRY. Not the White House specifically.

General GORMAN. No.

Senator KERRY. Not Health and Human Services, certainly.

General GORMAN. Not to my knowledge.

Senator KERRY. Did anybody want you to keep some distance from Noriega during the time you were there?

General GORMAN. I never received any such instructions, except from the Ambassador, and then under specific cases in point.

Senator KERRY. But you did receive specific instructions from the Ambassador as to certain cases.

General GORMAN. Oh, yes.

Senator KERRY. And do you recall what those were?

General GORMAN. Well, for example, in the whole set of negotiations involving the Paredes retirement and the role that Paredes was going to play in the upcoming political campaign, we got guidance from the Ambassador to keep away from any association with the social events and avoid making any statements that might be used on behalf of what the Embassy regarded as an untoward development in Panamanian politics. A judgment in which they were eminently correct.

Senator KERRY. While you were at the Southern Command, were you ever advised by anyone that Noriega was providing help to the Contras at the request of the United States?

General GORMAN. No.

Senator KERRY. You never had any knowledge of that?

General GORMAN. No, and I would be pretty sure that if it were going on in that sense, somehow or other we would have picked that up.

Senator KERRY. Were you ever aware during that period of time of arms shipments to El Salvador, or anywhere else, by General Noriega?

General GORMAN. No.

Senator KERRY. Your intelligence did not have that, or you did not at that point?

General GORMAN. There was some cooperation between the Panamanian Defense Forces and the Salvadorean defense forces.

General Noriega took a direct interest in the raising and training of the civil defense forces in El Salvador as an example. Some Panamanian officers went up and worked with Salvadorean staff on preparation of plans.

But I do not know of any arms shipments as such. And I think, again, I would think that I would have known that.

Senator KERRY. At one point you tried to argue within the Defense Department that you thought there were things we could do and that we ought to be doing with respect to this Central America narcotics problem, but that you felt you did not get a favorable hearing, or you could not make it move. Can you describe that?

General GORMAN. Yes. The representations that I made to you today are essentially those that I made beginning in 1983.

I was trying to draw the attention of the Department of Defense to the larger strategic issues, the more enduring strategic issues. You will recall, I am sure, vividly, that in those years nobody wanted to talk about anything but El Salvador.

El Salvador was the problem. Not the Contras, not Nicaragua, but El Salvador. And that remained the case, I would say, until, just about until I left office. Then the focus began to shift to the Nicaraguan incident, and the support of the Contras.

But I could not get the attention of the JCS or the Secretary of Defense on what I considered to be the more acute problem, certainly the one that was going to be of much longer duration for the United States, this massive powerful emerging phenomenon of these international drug cartels.

Senator KERRY. With respect to the international drug cartel and that effort in the Defense Department, in our private conversations you made what I thought were some very straightforward, graphic descriptions of the problem.

And to paraphrase you, if I may without violating anything that I think was between us. You said "We are a day late, a dollar short," you said "We are talking, promising, failing to deliver year after year."

General GORMAN. I said that.

Senator KERRY. You said "The gun and badge boys cannot do it."

General **Gorman**. I said that. Cannot do it alone.

Senator **Kerry**. Cannot do it alone.

General **Gorman**. Cannot do it alone.

Senator **Kerry**. I agree. That these guys are a very well-organized phenomenon. Almost organized like a military campaign. Why are we a dollar late, short? Why are we failing, what is your sense of why we are failing on this?

General **Gorman**. Well, let me cite three contributing causes. These are almost cultural sorts of attitudinal problems.

The first is that the primary mission, focus, the proper preoccupation of the Department of Defense is the East-West problem, particularly the Soviet problem. And if it is not colored Soviet, it is not a matter for the Department of Defense.

I happen to believe, and I am sure you would agree, that many of the threats to our security arise from factors over which the Soviets exert very little control, if any. And many of the problems that we face would exist if there were no Soviet Union or, a compliant, friendly cooperative Soviet Union.

But there are many in the Department of Defense, and they are in very high positions, who simply believe that if it is not part of the United States-Soviet business, the military has no role, or the Department of Defense has no role or prerogative.

Second, there are many who hold with great vehemence to the belief that there ought to be a "separation of powers" between the military and the law enforcement agencies. And they see the boundaries that have been drawn between them since the drafting of the Constitution, as right, proper, something to be safeguarded. And they can get very principled, I guess is the word about all of that.

Again, I simply believe that we are dealing here with a phenomenon that requires us to reconsider those legal boundaries. The Congress has shown a much more illumined attitude in its moves on posse comitatus, for example, than some of the senior officials of the Department of Defense.

Finally, it is a dirty business, Senator. It is not a crisp, clean set of issues and undertakings. And frankly, a lot of my fellow professionals are simply repelled by the kinds of people they have to do business with in order to get into this realm. They would much prefer to consign it to the Coast Guard and the other law enforcement agencies.

Put all of that together, and you can begin to see why some of these representations fall on deaf ears. And then, of course, there is the question of priorities in a time of dwindling budgets.

All of this can only be undertaken at the expense of something else, and that something else is always much more important.

Senator **Kerry**. With respect to that attitude, et cetera, as far back as the early 1970's, President Nixon's Drug Enforcement Administration was picking up intelligence on General Noriega's involvement in narcotics trafficking. You are aware of that; correct?

General **Gorman**. No, I am not aware, you know, how far back all of that goes.

Senator **Kerry**. But narcotics trafficking on the part of certain elements of the Panamanian Defense Forces became part of the canal treaty discussions in 1977. You are aware of that?

General GORMAN. Not aware of that.

Senator KERRY. You are not aware of that.

General GORMAN. But I am not surprised, I am not surprised.

Senator KERRY. Then in 1984, as you are aware, General Noriega provides safe haven for key members of the Medellin cartel. Correct?

General GORMAN. During the negotiations with the Attorney General of Colombia, at the request of President Betancourt.

Senator KERRY. At that point, Panama becomes a major drug laundering, money laundering, drug transit money laundering locale. Correct?

General GORMAN. Correct.

Senator KERRY. Today, General Noriega stands indicted by two U.S. grand juries. Today it is fair to say that the interests we have in Panama are greatly at risk, that the country is destabilized. Is that not accurate?

General GORMAN. Yes.

Senator KERRY. So, what do we say about that policy? In light of that history, how well have the national security interests of the United States been protected while we have basically been willing to bed down with this narcotics trafficker of major consequence?

General GORMAN. The whole history of our relationship with the Republic of Panama is a severe indictment of the United States ability to handle its relationship with any foreign country.

But it is a particular indictment because in this country of Panama, as in the case of the Republic of the Philippines, we have had a long residential involvement, unlike our relationship with Colombia, for example.

I mean, we are part and parcel of the history of Panama in a blood sense, and in an in situ sense. And the fact that we have allowed these events to eventuate in the country being run by this pimple on the rump of an elephant, to use Mr. Morgenthau's phrase, is a travesty of sorts upon American history.

And I do not exempt myself from blame in this respect. I should have been more prescient, should have been more aggressive. I suppose that most other officials, like me, would make the same case. That back at the time I had my mind on other things and I did not see, I could not foresee where all of this would go.

Senator KERRY. Well, General, I think you have been very forthcoming, and I certainly appreciate your testimony. There are some questions that we do want to ask you in executive session, and there are a few that we want to ask about the record. The time is moving rapidly.

I am going to place some questions in the record from Senator D'Amato, which you would also like to have answered. If I may, there is one item here that I got delivered to me this morning, I did not have a chance to ask you.

And if you could, perhaps, approach me here, because I just want to see if you can answer it, and I will not ask the question if you cannot.

General GORMAN. Let the record reflect I'm approaching.

Senator KERRY. Thank you very much, General. What I would like to do is identify for the record an exhibit which we will call exhibit No. 1, which is a now unclassified page of Oliver North's diaries which bears in it the title General Gorman underlined, and then asterisk, include drug case. And you have seen that now, and you understand that?

General GORMAN. Yes, sir. What is the date again?

Senator KERRY. The date is June 12, 1984. Did you have occasion to meet with Oliver North frequently?

General GORMAN. Frequently, yes.

Senator KERRY. With respect to?

General GORMAN. Well, he traveled frequently in the region, usually with an official party of some description. I don't know about the particular date, but I could infer that it is a reference to the point that SOUTHCOM's briefings, both in Washington and in the region, always included the drug case.

That is to say, we were trying to call attention to visiting congressional delegations, visiting teams from the administration, to the fact that the problem in the region was significantly larger than the rubric of the Salvadorean insurgency.

And I do not know, again. There is just those cryptic phrases there from which to draw for an aide memoir. But I would infer from the way that's laid out that he is thinking of including in his own presentations a comparable dimension.

And I would guess that what is underneath there that is blocked out is probably some of the stuff that he picked up from one of our conversations.

Senator KERRY. So, the drug issue was at that time being discussed?

General GORMAN. Well, I was certainly doing my damnedest, Senator, to discuss it. Each of my presentations to the Defense Resources Board, each of my meetings with the JCS, any opportunity that I had to testify before this body or the other I brought it up.

Senator KERRY. OK. Well, I thank you very much. What I would like to do is reserve the right, General, if you are willing, we would like to follow up on some of those things privately, if we can.

General GORMAN. Yes, sir.

Senator KERRY. And talk further. We will recess until 2 o'clock, when we will resume for the afternoon witnesses. Thank you very much.

[Whereupon, at 1:10 p.m., the hearing was recessed, to resume at 2:18 p.m., the same day.]

AFTERNOON SESSION

Senator KERRY. The hearing will come back to order. My apologies for the delay. We are involved in some last-minute negotiations here with one of the U.S. attorney's offices in Florida and those negotiations are going to force us to take one witness out of order, but we will do so.

Mr. Gerry Loeb, would you stand, please.

Would you raise your right hand. Do you promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. LOEB. I do, sir.

Senator KERRY. Thank you. Could you be seated.

STATEMENT OF GERALD K. LOEB

Senator **Kerry**. Would you state your full name for the record, please.

Mr. **Loeb**. Gerald K. Loeb.

Senator **Kerry**. Mr. Loeb, where do you live?

Mr. **Loeb**. I reside in Salinas, CA, sir.

Senator **Kerry**. How long have you lived there?

Mr. **Loeb**. Approximately 14 years.

Senator **Kerry**. What is your occupation?

Mr. **Loeb**. At the present time I'm serving as the ALPA Chairman of Legislative Affairs for the Eastern ALPA group in Miami, FL, representing 3,800 pilots.

Senator **Kerry**. Are you yourself a pilot?

Mr. **Loeb**. I am a former pilot, sir.

Senator **Kerry**. How long were you a pilot?

Mr. **Loeb**. As a naval officer and a Navy pilot, sir, 21 years. For Eastern Airlines, a period of 20 years.

Senator **Kerry**. At what rank did you leave the U.S. Navy as?

Mr. **Loeb**. Commander, USNR-R, sir.

Senator **Kerry**. What year did you leave the U.S. Navy?

Mr. **Loeb**. Approximately 1975.

Senator **Kerry**. At that time what did you do?

Mr. **Loeb**. I was also as a reservist, a naval officer, and aviator, a flight officer for Eastern Earlines. I joined Eastern in 1967 and continued my Reserve affiliation until approximately 1975.

Senator **Kerry**. After 1975, what did you do?

Mr. **Loeb**. Continued my career as an Eastern Airline pilot.

Senator **Kerry**. What did you achieve as an Eastern Airline pilot?

Mr. **Loeb**. Captain.

Senator **Kerry**. And how long did you fly as a captain for?

Mr. **Loeb**. Less than 6 months, sir.

Senator **Kerry**. Now, at some time were you dismissed from Eastern Airlines?

Mr. **Loeb**. Yes, I was.

Senator **Kerry**. Would you describe to us the circumstances of that dismissal?

Mr. **Loeb**. As best I can understand it, Senator Kerry, I was accused of outrageous conduct, to wit turning over to the FBI a 19-page summary report involving details of drug trafficking, money laundering operations on Eastern aircraft over a period of approximately 4 years.

The officials—excuse me, sir.

Senator **Kerry**. Go ahead.

Mr. **Loeb**. The officials at Eastern Airlines and the corporate officers deemed that to be outrageous conduct. Having learned from the FBI within hours of my giving that information, they hired two private detectives and then the fun began.

Senator **Kerry**. Now, at some point in time you say you turned in a report to the FBI. What did that report to the FBI contain?

Mr. **Loeb**. Primarily drug trafficking, money laundering operation emanating from Panama City.

Senator **Kerry**. When did you first observe that?

Mr. **Loeb**. Early in 1984, sir.

Senator **Kerry**. What were the circumstances of that?

Mr. **Loeb**. The trigger, sir, was a telephone call from an Eastern Airlines captain who had just had his Eastern L-1011 jetliner arrested by U.S. Customs, and he was not only devastated by that, but he was frightened. They had found 15 pounds of cocaine—correction, 15 kilos of cocaine, underneath the captain's seat in the forward electronics section at the U.S. Customs building in Miami, FL.

Senator **Kerry**. And how did that trigger you? What did that cause you to do?

Mr. **Loeb**. He asked me for help, since I was obviously involved in the Air Line Pilot Association affairs, and he asked me for some advice. His aircraft had been impounded and he had been served with a writ to appear before a magistrate in Miami, and he was terrified.

Senator **Kerry**. When was this, again?

Mr. **Loeb**. Approximately April 1984, Senator.

Senator **Kerry**. OK. At that time what did you do?

Mr. **Loeb**. I suited up—I was in Miami—went across the field to the airport. I met unofficially with a U.S. Customs official and I asked him what the circumstances were and what we could do to help unwind this without getting into the area of justice, unwind it as far as our flightcrews were concerned.

It was an ongoing scenario with drugs aboard the Eastern aircraft, particularly from Panama, the hub operation, and Colombia. And our crews were very aware that they were unwittingly being duped and flying cargo, as it was called, that was unlisted in their aircraft, unmanifested, into ports of call in the United States of America.

Senator **Kerry**. Now, can you describe what you mean by "unmanifested, unlisted," and tell how as a captain you would know that?

Mr. **Loeb**. Well, sir, you can take the total weight of the aircraft and, by extrapolating the numbers of the cargo manifest weight, and then go out on the ramp and take a look at the cargo that's being loaded and come to a very, very good conclusion with close proximity of how much weight that aircraft actually is going to carry.

For example, one flight out of Bogota, Colombia, was so marginal due to the weight of the aircraft, the registered weight of the aircraft as opposed to the actual weight of the aircraft, and when we arrived in Miami, FL, our instruments in the cockpit told us that we were a lot heavier than what was indicated on the manifest.

And this was a very usual situation, particularly from South America. In fact, it was a standard joke.

Senator **Kerry**. As a pilot, weren't you concerned about safety regarding that?

Mr. **Loeb**. That, sir, is reckless endangerment of flightcrews and needless explosure to the traveling public.

Senator **Kerry**. What did you notice? Did you notice something more specific at some point in time? Did you go look at the cargoes?

Mr. **Loeb**. Yes, sir, I did.

Senator KERRY. At what point did you first do that?

Mr. LOEB. In mid-1984, there seemed to be a consistent pattern from Miami to Panama specifically and beyond into several other countries that Eastern services, not only in Central America but in South America.

Senator KERRY. What was that pattern?

Mr. LOEB. The pattern was normally as a flightcrew member to go out to the aircraft approximately 30 to 40 minutes before flight time. And Senator, on these occasions never did I observe any armored vehicles guarding or transporting crates or whatever under the holds of those Eastern L-1011's, never.

But on arrival in Panama, on those same flight occasions a man I'll call Fast Eddie would leap off the aircraft, meet the armored cars, and sometimes Panamanian national guard people were there, sometimes ununiformed people were there. But the armored trucks were always there to receive the offload.

And that's a very strange occurrence if one is legitimately carrying precious cargo.

Senator KERRY. Who was Fast Eddie?

Mr. LOEB. Sir?

Senator KERRY. Who was Fast Eddie? Not specifically by name, but the man you call Fast Eddie, what did he do? Who was he?

Mr. LOEB. Fast Eddie we considered to be our most obvious frequent flyer. In fact, I'd like to share with you a short story. Fast Eddie always seemed to show up right before flight time with a last-minute cargo load, and always in Panama the first one off the aircraft to help supervise the unloading and the reloading into these armored vehicles, sometimes two vehicles, sometimes three.

Senator KERRY. Did Fast Eddie ever tell you anything about these cargoes?

Mr. LOEB. Yes, sir, he did.

Senator KERRY. What did he tell you?

Mr. LOEB. Well, one night in Panama—and it was not a very dark and stormy night; it was a clear night. But the aircraft was broken. If I recall, it was due to an inoperative generator. And we were forced to stop the trip in Panama City.

It was scheduled to go on to Bogota. The decision was made to go to the local airport hotel. We went over there as Fast Eddy was rapidly trying to disgorge the cargo into the armored cars, and I asked him as he was checking into the airport hotel why he was so upset.

And he said: "I have a dilemma. I have to be in Colombia tonight." I said: "This aircraft is not going to leave Panama; it's broken." And he said: "Can't you fix it?" I said: "No, I can't fix it; it has to wait for a legitimate part, for a legitimate repair."

He was very agitated and upset, and we went into the bar. And Senator, since I don't drink because my American heritage precludes that, I bought him numerous rounds of drink and asked him several questions, one of which was: "What are in those crates, what are in those pallets?" And he said "Money."

I said: "Are you a courier for Eastern Airlines?" And he said: "Yes." So, I then asked him several questions, general questions that any employee should know. It didn't fit.

In any event, as the short evening grew longer he became more agitated. I asked him the big question: "If these are Eastern Airlines funds, why are they being transported into Panama and disbursed beyond that point or wherever?"

And he said: "Oh, we need to bank money down here." I said: "That's very strange for a company that's on the cutting edge of chapter 11, where the employees had given up close to $1 billion in pay cuts to maintain the survivability of Eastern Airlines.

He said: "Well, we do it all the time and that's my job, and you must get me to Colombia." I said: "We'll go in the morning." And with that he was gone.

Senator KERRY. Did you ever observe the pallets personally?

Mr. LOEB. I did.

Senator KERRY. Could you speak a little closer? Pull the mike down a little.

Mr. LOEB. Yes, sir, I did.

Senator KERRY. You observed the pallets?

Mr. LOEB. I did, sir.

Senator KERRY. On what occasions did you observe the pallets?

Mr. LOEB. Approximately 18 to 24 different occasions, sir.

Senator KERRY. Between what period of time?

Mr. LOEB. 1984 through 1985.

Senator KERRY. And what were the circumstances of your observing them? You went out?

Mr. LOEB. As a flightcrew member.

Senator KERRY. What did you observe when you saw those pallets?

Mr. LOEB. The pallets came off the aircraft and there was a variation on that theme, Senator. Sometimes the pallets themselves came off the aircraft or the pallets were inside the freight containers, brought off, downloaded, reloaded into the armored vehicles, and it was adios.

Senator KERRY. Did you see the contents of the pallets?

Mr. LOEB. I did not.

Senator KERRY. So, you are relating the knowledge about there being money based on the conversation you had with Fast Eddie?

Mr. LOEB. And a witness brought up from Panama to give evidence to the FBI.

Senator KERRY. Now, who is this witness?

Mr. LOEB. This was a young fellow who worked in Eastern Airlines stationed in Panama City and a Panamanian citizen.

Senator KERRY. Did that person in fact talk to the FBI?

Mr. LOEB. He was traumatized by the FBI, Senator. I don't think he spoke to them.

Senator KERRY. What do you mean? He didn't talk to them ever?

Mr. LOEB. It is my understanding that this particular witness, along with two others that I have personal knowledge of, received a visitation from the FBI representative. And I call this scenario "FBI Agent Eraserhead and His Flying Squad," because every time the FBI would present a question to one of these three witnesses that had been carefully coordinated and brought up to Miami or into Miami, they became so traumatized that they became absolutely panic ridden that they were the focus of a criminal investigation.

Senator KERRY. Did this person go back to Panama after that?

Mr. LOEB. He vanished, sir. I have no idea where he is.

Senator KERRY. Now, did you personally meet with the FBI agents?

Mr. LOEB. I did, sir.

Senator KERRY. Do you recall the names of those agents?

Mr. LOEB. I do, sir.

Senator KERRY. Would you give us their names for the record?

Mr. LOEB. Special Agent in Charge Corliss and ASAC, or Assistant Special Agent William Perry.

Senator KERRY. William Perry?

Mr. LOEB. Yes, sir.

Senator KERRY. Who was the FBI agent in charge of the detail that subsequently interviewed people, do you know?

Mr. LOEB. My contact was an FBI agent by the name of Rod Beverley.

Senator KERRY. Have you since been through a grievance process with Eastern Airlines?

Mr. LOEB. Yes, sir, I have.

Senator KERRY. What have been the results of that grievance process?

Mr. LOEB. We anticipate a positive decision and a return to work by month's end. However, Texas Air-Eastern Corp. has sworn that this pilot will never fly again for Eastern Airlines one way or the other.

Senator KERRY. Now, you brought us some documents; is that accurate?

Mr. LOEB. Yes, sir.

Senator KERRY. And among those documents is a copy of the report that you submitted to the FBI?

Mr. LOEB. Yes, sir, but not the total report.

Senator KERRY. Is there any reason why we don't have the total report?

Mr. LOEB. Yes, sir. I have held back some information because I thought it appropriate at the time not to overload the FBI's plate in Miami, and a visceral feeling.

Senator KERRY. So, this report is a partial reflection of what you saw at that particular time when you submitted it at the time that the grievance took place?

Mr. LOEB. About 40 percent, yes, sir.

Senator KERRY. OK. I'm going to place that report in the record. It's dated one—you made a voice tape simultaneously?

Mr. LOEB. I did, sir.

Senator KERRY. The date of the report is January 6, 1986.

Mr. LOEB. And the date of the interview with the FBI was January 6.

Senator KERRY. What was the date of your termination?

Mr. LOEB. April 21, 1986.

[The material referred to appears in the appendix.]

Mr. LOEB. Senator Kerry, may I correct. The date of the FBI meeting in Miami with both the SAC and ASAC, January 8, 1986.

Senator KERRY. January 8, 1986, was the date of the meeting in Miami?

Mr. LOEB. That is correct, sir.

Senator KERRY. With the FBI?

Mr. LOEB. They asked me to take a midnight special and meet them in Miami, and I did so from California.

Senator KERRY. Now, was the station manager in Panama somehow involved in the process of offloading?

Mr. LOEB. Absolutely.

Senator KERRY. Can you describe that?

Mr. LOEB. It was his area of responsibility to coordinate a great number of things, one of which was the ground crew coordination for loading, unloading, transportation. And apparently this gentleman went beyond that scope and had not only fundamental business interests, but interests that extended to the Panamanian Government, deeply within the Panamanian Government.

Senator KERRY. Can you describe the armored vehicles at all that would arrive at the airport in Panama?

Mr. LOEB. Yes, sir.

Senator KERRY. Did they have any markings?

Mr. LOEB. More often than not, no, sir. However, they were the standard armored boxcab type, gray in color, and very often with no logo or no license numbers whatsoever, license plate, some of which were noted as government vehicles.

Senator KERRY. And did you notice, did they have escorts?

Mr. LOEB. As in automobile escorts?

Senator KERRY. Automobile, motorcycle, military, any kind of escort?

Mr. LOEB. Senator Kerry, it was the quietest operation that one could ever observe from the ramp. If we could have our baggage unloaded and delivered as quietly and as quickly as they did, it would have been a superairline.

Senator KERRY. Were there people in uniform offloading?

Mr. LOEB. There were Eastern ground crew folks, and we must assume at this point, or I did at that point——

Senator KERRY. Well, I don't want to assume.

Mr. LOEB. They appeared to be Eastern employees offloading that cargo. They were not Eastern employees that were loading or driving the armored vehicles.

Senator KERRY. Did you observe who were—were they uniformed, the drivers of the vehicles?

Mr. LOEB. Oftentimes they were, but not on every occasion, and particularly those that swarmed around the ramp were oftentimes in civilian clothes or what I believe to be the national guard.

Senator KERRY. Was there any visible involvement of Panamanian Defense Forces or military forces at the airport in this process?

Mr. LOEB. None other than a casual guard or two near or around the armored vehicles.

Senator KERRY. Now, you've mentioned also that, apart from the money, the drugs themselves were loaded and offloaded on the plane; is that correct?

Mr. LOEB. To the best of my knowledge; yes, sir.

Senator KERRY. When you say "to the best of your knowledge," precisely how do you have that knowledge?

Mr. LOEB. Reports from other Eastern pilots who personally were involved in having cocaine found on their aircraft, getting into a panic state of, what do I do now.

Senator **Kerry**. How many occasions as one of the pilot union officials were you called in in those circumstances; would you say?

Mr. **Loeb**. Advised, sir, by my colleagues as to drugs on the aircraft?

Senator **Kerry**. Yes.

Mr. **Loeb**. At least 45 to 50 times.

Senator **Kerry**. During what period of time?

Mr. **Loeb**. From 1981 through 1986.

Senator **Kerry**. Was there a pattern to where those particular flights came from?

Mr. **Loeb**. Yes, Senator.

Senator **Kerry**. Where is that?

Mr. **Loeb**. Colombia, into Panama, Panama to Miami, and then into other gateways of this Nation.

Senator **Kerry**. Where was it hidden on the plane, apart from in the cockpit, under the pilots' seats, and so forth?

Mr. **Loeb**. Hiding cocaine, sir, underneath the captain's seat in the electronics compartment is a sloppy job. Most of the cocaine is either hidden in the electronics compartment well before flight time—catering trucks also aid and abet; spare aircraft parts that are being freighted, and there are so many nooks and crannies on an airliner that it would take a stunning investigation of hours of determined effort to find the cocaine on an aicraft that is well hidden.

Senator **Kerry**. Did you become aware at some point in time of a private detective being hired with respect to your case?

Mr. **Loeb**. Two private detective firms, sir.

Senator **Kerry**. Do you want to describe how that came about? Not how it came about; can you describe what you know of that particular hiring?

Mr. **Loeb**. Yes, sir. I received a call from one of the members of the board of directors of Eastern Airlines, and he was very concerned and very agitated. He had just received a very harsh visit from a private detective firm in New York hired by Eastern Airlines to investigate where I received my knowledge on certain events, and specifically for whom I was working, as though there was some question.

It was the worst kept secret on the airline, if that's what he was after.

And my friend, the member of the board, said: "I'm really concerned about your safety; I'm concerned about where all this is going; I'm concerned where it's going for the airline. We're in a panic situation now and it's so critical; we may lose the airline; and with drug trafficking and money laundering and all this coming about."

He said: "Gerry, I have great fear for your survival and the survival of the airline."

The second detective agency that was hired by Eastern Airlines went out and attempted to bribe other private detectives working for another agency, and they offered—or this gentleman who said that he worked for the corporation of Eastern Airlines and one corporate officer specifically said that he was offered $5,000 by this detective working for Eastern on one occasion, and his colleague was offered $2,500.

And when the other colleague found out that he was only offered $2,500, he became a little insulted. But the upshot of it all was that both of these gentlemen went back to their bosses and said: "I've been offered a bribe to create—to perjure myself, to fabricate information against the Air Line Pilots Association, this guy Loeb, and others."

Senator **Kerry**. What was the name of that private detective?

Mr. **Loeb**. Intercontinent Detective Agency, sir.

Senator **Kerry**. Do you remember the name of the detective specifically?

Mr. **Loeb**. Dabalsia, sir.

Senator **Kerry**. And did one of these detectives bring a complaint against the others?

Mr. **Loeb**. They have, sir.

Senator **Kerry**. What is the name of the detective who brought a complaint?

Mr. **Loeb**. I believe the complaint has been generated by a former Eastern Airline pilot who was also fired within weeks of my firing, who was attempting to find out more about Eastern's operations, particularly the illicit operations. And he went out and hired a private detective firm, and after the upshot of all of this attempted bribery and so forth he filed a complaint within the State of Florida against the licensing rights of Intercontinent Detective Agency in Miami.

Senator **Kerry**. Does the name of Raoul Dias ring a bell to you?

Mr. **Loeb**. No, sir, not Dias. Valdez does.

Senator **Kerry**. Ramon Valdez?

Mr. **Loeb**. Yes, sir. He is the former pilot.

Senator **Kerry**. Let me just ask you, do you know if—let me get the timeframe again.

When was the last time you were aware of those pallets of money?

Mr. **Loeb**. In the latter stage of 1985.

Senator **Kerry**. The latter stage of 1985?

Mr. **Loeb**. Yes, sir.

Senator **Kerry**. Did you hear among pilots any talk about this money or about general pallets? Were you the only one to observe this?

Mr. **Loeb**. No, sir, I was not.

Senator **Kerry**. You know of other pilots who saw this?

Mr. **Loeb**. Yes, sir, and when they saw what happened as the upshot of my revealing this to the FBI, they have amnesia.

Senator **Kerry**. Do you know specifically of some pilots who have seen this, who have told you and talked to you about it?

Mr. **Loeb**. Yes, sir.

Senator **Kerry**. OK. Well, I think we can deal with that in executive session.

Now, just for the record, I want to reascertain. As you now, we are taking testimony as to these portions under oath, which means that any witness is obviously subject to the pains and penalties of perjury.

Mr. **Loeb**. I understand, sir.

Senator **Kerry**. And I just want to make certain that as to your testimony here today that there is nothing in your testimony that you have thus far given us that you wish to change or that you somehow feel may not have been as clear as you would like it to be.

Mr. LOEB. There is additional information, Senator Kerry, that I think goes hand in glove with the overall operation and the problems within Eastern and Panama, the hub-and-spoke operation of drug trafficking.

Senator KERRY. And what is that? Do you want to share that with us?

Mr. LOEB. I would be delighted, sir.

Senator KERRY. Do you want to share that with us now?

Mr. LOEB. Yes, sir.

Senator KERRY. Go ahead.

Mr. LOEB. Since 1982, Eastern, which inherited the routes from Braniff International Airlines, has continued the legacy of drug trafficking and other illicit and illegal operations into the United States. And I want to reemphasize that it is my belief that the corporate officials of Eastern Airline were in no fashion attached to that illicit and illegal drug operation activity. However, they were aware of it, and apparently and obviously could not deal with it, and it helped accelerate the tailspin of Eastern Airlines as we once knew it.

Senator KERRY. Well, I appreciate your comments.

Let me just say for those observing that this will not be the only witness who confirms the notion of palletization of money and of the use of the airlines with respect to the laundering operation, and I think that as the hearings go on, more hopefully will be forthcoming on that.

Mr. Loeb, we are going to take about a 10-minute recess for a minute, but I just want to thank you very much for your testimony and obviously hope that the grievance process turns out well for you.

Thank you very much.

Mr. LOEB. Thank you, Senator.

Senator KERRY. We will take a 10-minute recess.

[A brief recess was taken.]

Senator KERRY. The hearing will come back to order.

Mr. Ritch, I would like to ask you if you would stand, please.

Would you raise your right hand?

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. RITCH. I do, sir.

Senator KERRY. Thank you.

Would you sit down, please.

Would you state your full name for the record?

Pull the microphone right up close to you, Leigh.

Would you state your full name for the record?

STATEMENT OF LEIGH BRUCE RITCH, MIAMI, FL; ACCOMPANIED BY LEE FUGATE, ESQ., COUNSEL

Mr. RITCH. Leigh Bruce Ritch.

Senator KERRY. Why do you not say that again.

Mr. RITCH. Leigh Bruce Ritch.

Senator KERRY. All right.

How old are you, Mr. Ritch?

Mr. RITCH. Thirty-four.

Senator KERRY. Let me just say for the record that the reason for the delay was some discussion with the U.S. attorney's office of the Middle District in Florida. They are seeking Mr. Ritch's cooperation in subsequent legal matters, and Mr. Ritch clearly has concerns about himself and his future and his safety.

I will state for the record that no promises whatsoever, or agreements have been made except to say that if Mr. Ritch cooperates fully, that certainly the chairman of this committee will understand that cooperation and recognize it.

In addition, the U.S. attorney has said that that cooperation is also important to them, and they will take that into future consideration.

Mr. Ritch, you are represented by counsel here, and I wonder if counsel would state his name for the record.

Mr. FUGATE. Lee Fugate, F-u-g-a-t-e.

Senator KERRY. Where is your office, Mr. Fugate?

Mr. FUGATE. Clearwater, FL.

Senator KERRY. OK.

Mr. Ritch, are you currently incarcerated?

Mr. RITCH. Yes, sir.

Senator KERRY. Where are you currently incarcerated?

Mr. RITCH. Miami MCC.

Senator KERRY. What sentence are you serving now?

Mr. RITCH. Thirty years, no parole.

Senator KERRY. What are you serving sentence for?

Mr. RITCH. Running a continuing criminal enterprise.

Senator KERRY. When were you sentenced?

Mr. RITCH. July 1987.

Mr. FUGATE. I would like to state for the record that there was and there is an agreement relating to Mr. Ritch's security as a result of his cooperation here, and that does not need to be made public, but there was an agreement as to what the terms of that was.

Senator KERRY. The agreement is that the Federal Government will take any measures necessary to guarantee the safety of the witness should he be in a situation that is threatening; that is accurate.

Now, Mr. Ritch, what is your citizenship?

Mr. RITCH. I am a dual citizen, United States citizen along with British.

Senator KERRY. How did you first get into the drug business?

Mr. RITCH. I began, I would say, 1969, 1970, while in high school.

Senator KERRY. Where were you in high school?

Mr. RITCH. Tampa, FL.

Senator KERRY. Do you remember what year when you began in high school?

Mr. RITCH. It would have been 1969–70 year.

Senator KERRY. Do you want to describe how you first got involved?

Mr. RITCH. It would have been, I guess, socializing with the group I was, selling bags of marijuana, you know, ouncing out pounds of marijuana.

Senator KERRY. At some point in time did you graduate from that, not just from high school but from that particular level of business?

Mr. RITCH. Yes, sir. I went from dealing in 1-pound lots to bales of marijuana.

Senator KERRY. How did that come about? How did you get into that?

Mr. RITCH. I would say the geographical location I was in there, and Tampa being a seaport, there was a lot of marijuana passing through the city there, and we had an opportunity to deal in it.

Senator KERRY. How would you go about marketing it?

Mr. RITCH. Well, in the schooldays you'd just, mainly among your friends, you know, you had other people buying 10-, 20-pound lots, and they'd distribute it among their friends, you know, in different schools in the area, or take it out of the area.

Senator KERRY. And then you graduated to yet another larger level; correct?

Mr. RITCH. That's correct, sir.

Senator KERRY. Do you want to describe how you began that?

Mr. RITCH. I began after dealing in the bales of marijuana, I began—I had the opportunity to unload, the first time was small sailboats coming up with marijuana on them.

Senator KERRY. Coming up from where?

Mr. RITCH. Colombia, South America.

Senator KERRY. Whose small sailboats.

Mr. RITCH. School friends that I'd met in high school.

Senator KERRY. And what size lots would you bring up?

Mr. RITCH. The first loads we were running were on 44-foot sailboats, and I believe the first load was around 9,000 to 10,000 pounds.

Senator KERRY. How much money would that bring in?

Mr. RITCH. At that time the marijuana was very cheap in Colombia. It was $10, $15 a pound, and you'd sell it for right around $200 a pound, so figuring on the paper here, it was in the millions of dollars.

Senator KERRY. And how old were you at this age?

Mr. RITCH. I would have been 19, 20 years old.

Senator KERRY. And how much money were you earning at age 19 or 20?

Mr. RITCH. Well, at that time I was just being paid a salary for unloading and running an offload boat to meet other boats. At that time I was making $5,000 to $10,000 only, and then I was allowed so much marijuana to sell at a good price.

Senator KERRY. $5,000 or $10,000——

Mr. RITCH. For the night's work.

Senator KERRY. For the night's work.

Mr. RITCH. Yes.

Senator KERRY. OK, only $5,000 or $10,000 for the night's work.

Mr. RITCH. Yes, sir.

Senator KERRY. OK. Then you began to change from sailboats to another kind of boat; is that correct?

Mr. Ritch. Yes, sir. After unloading some sailboats, I purchased a larger sailboat, though, and then I went in, after successfully running that sailboat a time or two, I was approached by some people that owned shrimp boats to secure them a load and an off-loading site and oversee the operation for them, which was in the amount of 40,000 pounds.

Senator Kerry. 40,000 pounds again, still marijuana?

Mr. Ritch. Yes, sir.

Senator Kerry. How many shrimp boats were you using then?

Mr. Ritch. I had access to sometimes three to five shrimp boats that I could have used.

Senator Kerry. Were they working full time in smuggling drugs?

Mr. Ritch. No, sir. The object was to actually maintain a shrimp boat to run in the shrimp fleets, you know, like a normal boat, and then certain months have it run to Colombia and come back undetected.

Senator Kerry. Would they in fact also fish shrimp or not?

Mr. Ritch. Yes, sir, they would—you'd come back, on your way in you would mingle in to the shrimp fleet and shrimp for, say, a day or two, and come in with your nets wet just as if you had been shrimping.

Senator Kerry. How much deterrence was the Coast Guard or DEA at that point in time?

Mr. Ritch. In those years, sir, there wasn't too much. I mean, as long as you had the passes clear coming up, it was fairly easy.

Senator Kerry. You could pretty much do this with impunity?

Mr. Ritch. Yes, sir.

Senator Kerry. Now, did the distributors who met the shrimp boat use refrigerated trucks to pick up the marijuana?

Mr. Ritch. Yes, sir, that was one of our main things we did use.

Senator Kerry. Why did you use those?

Mr. Ritch. We would use refrigerated trucks to—in our travels from, say, a shrimp house, we'd be distributing the marijuana in the north or the west, say leaving the State of Florida at the agricultural stops or the way stations, there's a bonded seal usually on the back of a refrigerated truck where as you'd pull into these way stations, they won't—they have an inspection door only, a small door that has a small net so they can see what's in there. We'd hang usually a small net of frozen shrimp in the back small door where when they inspected, that's what the cargo manifest would say.

Senator Kerry. Now, how did you handle the cash that you began to collect at this time?

Mr. Ritch. The cash would, on say a large load, we would have given days where the distributor would call, and we'd send a car to pick it up in, say, different parts of the country, Detroit or, say, New York City or whatever, and we'd usually maintain one or two safe houses in a location such as Florida.

Senator Kerry. What is a safe house? Do you want to describe a safe house to people?

Mr. Ritch. A safe house would be a home where only the upper people in the organization would be allowed to go to, and possibly, depending on the amount of cash you were receiving, five counters, say, would be allowed to come and go to count the money as it came in.

Senator KERRY. Five counters.

Mr. RITCH. Yes, sir.

Senator KERRY. And were the counters very trusted people?

Mr. RITCH. They were usually school friends, trusted girlfriends.

Senator KERRY. How much money were they counting?

Mr. RITCH. Sometimes, I believe we've had up to $40 million.

Senator KERRY. $40 million in one safe house?

Mr. RITCH. Yes, sir, I believe it's $35 to $40 million.

Senator KERRY. And what would $40 million in cash represent—what period of time would that represent of sales?

Mr. RITCH. Oh, that was the proceeds from a particularly large load that we had gone into after the shrimp boats, sir.

Senator KERRY. Again, strictly marijuana?

Mr. RITCH. Yes, sir.

Senator KERRY. $40 million.

Mr. RITCH. Yes, sir.

Senator KERRY. Over what period of time? Again, this load would have——

Mr. RITCH. This was, this one particular time was a large load, we had done 280,000 pounds on a barge that produced that kind of cashflow.

Senator KERRY. When would the next trip be? When would the next counting take place after the $40 million? How soon?

Mr. RITCH. Well, the money would continue to arrive, but in that situation in your safe house, you try and move your cashflow on to a bank or out of the country or into another safe house or amongst the people that were making the money.

Senator KERRY. Well, how was it stored? How would you store that kind of amount of cash?

Mr. RITCH. We used to use large Igloo coolers, cedar chests, anything large that you could——

Senator KERRY. You would just dump it in the Igloo coolers?

Mr. RITCH. Yes, sir.

Senator KERRY. And where would you take the coolers?

Mr. RITCH. We used to take them on Lear jets out of the country.

Senator KERRY. Where would you fly to?

Mr. RITCH. Cayman Islands, Panama.

Senator KERRY. And was this not pretty obvious?

Mr. RITCH. Well, to the point of leaving, we usually tried to cover when we were leaving the United States with it, you know, and mainly went to the problem of throwing a layer of meat on top of the money, but——

Senator KERRY. To protect it.

Was there any other way you protected it?

Mr. RITCH. As far as shipping it, sir? Just our main thing was the trust amongst ourselves. You know, we dealt, like I said, strictly in school friends or trusted associates.

Senator KERRY. Now, how was the marijuana that you originally sold taken out of Colombia, shipped to the boats?

Mr. RITCH. It would leave Colombia. You would load marijuana down there, depending on the size load you were dealing in, say in a small sailboat load, they'd just meet you with a small, like a canoe-type boat and load you off of that. On a larger load, you could load right at the dock there in certain port cities where the loading would take place, you know, in a city or a pay terminal or whatever.

Senator Kerry. Did you have some mother ships that were located somewhere?

Mr. Ritch. Say, we were mainly in tugboat and barges is how we were shipping the large amounts, and they would load the barge right in the port down there.

Senator Kerry. Were there protected territorial waters that you were able to use in order to do some of these transfers?

Mr. Ritch. There is protected waters available to transshipments of marijuana.

Senator Kerry. Where are some of those protected waters?

Mr. Ritch. You could use some of the keys off of Honduras, Nicaragua, down through there with the right equipment, you know, meaning the right shrimp boats, you know, flying Honduran flag or Nicaraguan flag, where you could blend in to the other fleets that are working the area, and transship.

Senator Kerry. Let me just understand the scope of this, now. You began getting big in this about what year?

Mr. Ritch. 1975, 1976.

Senator Kerry. How much money in an annualized basis do you think you were doing about that time?

Mr. Ritch. On the small sailboats, we split the loads, you know, fairly even with everybody that did the work, so I'd say $1 million.

Senator Kerry. But in total.

Mr. Ritch. Oh, the whole business totally.

Senator Kerry. The operation.

Mr. Ritch. Operation, back in those days, $10 million.

Senator Kerry. And at the time you were arrested, when?

Mr. Ritch. 1986.

Senator Kerry. At the time you were arrested how big was the operation?

Mr. Ritch. I had graduated to—there as a shipment of 1 million pounds ready to leave Colombia.

Senator Kerry. What would 1 million pounds have been worth here in America?

Mr. Ritch. Oh, hundreds of millions of dollars, $300, $400 million.

Senator Kerry. $300 or $400 million.

Had you done some shipments that were nearly that large during the 1980's?

Mr. Ritch. 280,000, 300,000.

Senator Kerry. 280,000 pounds, 300,000.

Mr. Ritch. Yes, sir.

Senator Kerry. Again, those were worth how much in the 1980's?

Mr. Ritch. $100 million.

Senator Kerry. $100 million.

Now, was there a time—let me come back to another area first.

Did the Colombian dealers have an arrangement with Panama to protect the transfer operations?

Mr. RITCH. I would say there is an arrangement there in shipments or dealings where we would leave a vessel in the ports in Panama before they would pick up the load, say, a barge would be left there or a tugboat under protection there, or a transshipment on the way back up, come through there.

Senator KERRY. Did the smugglers have access to information about Coast Guard patrols?

Mr. RITCH. Not all of them, sir, but our particular group, we had access to Coast Guard knowledge.

Senator KERRY. Did they know the law enforcement radio frequencies?

Mr. RITCH. Yes, sir.

Senator KERRY. When did you live in the Cayman Islands?

Mr. RITCH. I have lived down there—I've been going there all my life. My family is from there, my dad's side, and I began to live back there in 1977.

Senator KERRY. While you were living there, did you see lots of Americans arriving with large amounts of cash to put in the Cayman banks?

Mr. RITCH. Yes, sir.

Senator KERRY. Do you want to describe that at all?

Mr. RITCH. Well, you could, usually when the Lear jets arrived, it was the money arriving. So, I used to frequent the airport out there with a charter service, bring in close friends of mine and maintaining my own operation based out of there. I used to keep an eye also on the Government airplanes that used to base out of there for surveillance. So, you'd see quite often Lear jets coming in with suitcases full of cash.

Senator KERRY. Do you have any way of knowing that it was drug money?

Mr. RITCH. No, sir, you wouldn't really know it was, but——

Senator KERRY. There was not any question in your mind.

Mr. RITCH. No, sir. Rumors on the islands, and you know.

Senator KERRY. Were there banks on the island that were set up almost specifically to accept this kind of cash?

Mr. RITCH. There were certain banks that we would use there without any problems, sir.

Senator KERRY. Do you want to tell us which ones?

Mr. RITCH. It varied over the years, they kind of changed. In the early days you could more or less walk into any of them, and then the security tightened up on some of them there. I guess they were receiving pressure from the United States, to where you mainly had to deal through an attorney down there or a known local who could present you into the bank as a known, you know, a good client or respectable client to where there wouldn't be any heat produced on the money you were depositing in the account.

Senator KERRY. Were there banks that sere more accessible than others?

Mr. RITCH. Yes, sir.

Senator KERRY. Do you want to name those?

Mr. RITCH. Barclay's was a fairly easy bank. In the early 1970's, Bank of Nova Scotia was the easiest, and then it turned to become the very hardest one.

Senator KERRY. So, in fact, it makes a difference as to how accessible a bank is to you.

Mr. RITCH. Yes, oh, yes, sir.

Senator KERRY. Now, why did you stop using the islands for your own money transfer operations?

Mr. RITCH. I, being from Cayman, knowing more or less what was going on in the island there, I knew there was a lot of pressure from the United States there, there was a lot of U.S. intelligence on the island, watching the airport, watching, you know, the bank transactions there. I felt it was a good idea not to land Lear jets there with large amounts of cash anymore; plus having knowledge of the attorneys there telling me that they weren't able to deposit in certain banks, and we moved outside.

Senator KERRY. Why did you decide to use Panama?

Mr. RITCH. Panama was still more or less wide open, and they offered a sense of security there through people in Panama to protect us there with the deposits, protect us while we were there with the cash, security at the airport being a main factor, arriving with that kind of money.

Senator KERRY. Who introduced you to the possibility of using Panama for laundering money?

Mr. RITCH. It came through several people, actually. There was a Colombian fellow had mentioned it to me years earlier, and I never took him up on the thing, and then like I said, as we kind of burnt out the Cayman Islands, having accumulated large amounts of cash after the 280,000-pound load, we were directed in that direction through people in Miami and the Colombian source that we could do business there.

Senator KERRY. Did you go to Panama then, to explore the possibility?

Mr. RITCH. Yes, sir, I made a trip to Panama.

Senator KERRY. When did you go?

Mr. RITCH. That would have been September 1983, I believe it was, sir, September, October.

Senator KERRY. Who was on that trip?

Mr. RITCH. We flew, our Lear jet we flew down to, out of Fort Lauderdale. It was myself——

Senator KERRY. Did you own a number of jets?

Mr. RITCH. One jet, sir.

Senator KERRY. One jet.

Mr. RITCH. One Lear 35, sir.

Senator KERRY. How old were you then?

Mr. RITCH. I was, I believe I was 29 or 30 when we bought the jet, approximately.

Senator KERRY. And you bought it in order to be able to carry your money?

Mr. RITCH. Yes, we purchased this jet because our expenses in chartering an airplane at all times, flying around the country, picking up money, the fact that I wanted to use the plane and my workers all wanted to use an airplane became, you know, it was a good idea. It was cheaper to buy one.

So, on the trip to Panama, it was myself, Stephen Kalish, Samuel Fortner, his wife and my girlfriend Teresa Pemberton.

Senator KERRY. Who did you meet with in Panama?

Mr. RITCH. Upon arrival, Stephen Kalish and myself were taken by a limousine to the top of a bank building there to meet with a Cesar Rodriguez.

Senator KERRY. Did you know who Cesar Rodriguez was then?

Mr. RITCH. Upon meeting him I was briefed by Stephen Kalish who had met him prior.

Senator KERRY. And who was Cesar Rodriguez?

Mr. RITCH. He was representing to us the security we could be allowed to have while we were in Panama and what to look forward to have while we were there.

Senator KERRY. Well, who was he that he could provide security and give you this information?

Mr. RITCH. My understanding, he was a direct link to the Panamanian Government there.

Senator KERRY. Can you be more specific? Did you know who he worked with?

Who was his partner?

Mr. RITCH. I have heard that he was partners with General Noriega, among several other people there.

Senator KERRY. Did you know that at that time?

Mr. RITCH. That was the reason I was going there, to see where the money was going and how it was secured there.

Senator KERRY. Which bank did you meet at? Where was this?

Mr. RITCH. The name of the building I couldn't really say, sir. It was a tall building in downtown Panama. It was an office set up on the top of it.

Senator KERRY. What transpired at this meeting?

Mr. RITCH. We discussed mainly the security that we could figure on having upon arriving there.

Senator KERRY. Could you describe that? What did they promise to do for you?

This is Cesar Rodriguez?

Mr. RITCH. Right sir.

Senator KERRY. OK, what did Cesar Rodriguez promise to do for you?

Mr. RITCH. He promised us upon arriving in Panama we could land where we landed on this particular trip, we had cash with us, we landed at the small airport downtown called Patilla.

Senator KERRY. How much cash did you bring with you on this trip?

Mr. RITCH. It was a minimum of $2 million.

Senator KERRY. Did you give some of that to Cesar Rodriguez?

Mr. RITCH. He was receiving a percentage of whatever we brought through the country.

Senator KERRY. What percentage?

Mr. RITCH. I was under the understanding it was, depending on the amount, sir, it was 1 to 3 percent of the amounts that we were bringing.

Senator KERRY. Can you give us a breakdown of the range on the amounts? It was 1 percent when it was how much, and 2 percent, or how did the range change?

Mr. RITCH. Well, dealing in, I'd say over $5 million, it would drop to 1 percent if I recall right.

Senator Kerry. The bigger the amount, the lower the percentage.

Mr. Ritch. Correct, sir.

Senator Kerry. Now, what protection did Cesar Rodriguez promise you?

Mr. Ritch. Cesar Rodriguez promised us and showed us how they could handle us arriving in the airport there with guarded cars, you know, with bodyguards and limousines, direct access from the private Lear to the bank or apartment or home or hotel, wherever we were staying, continuous security while we were in Panama, you know, chauffer-driven and bodyguard. He offered——

Senator Kerry. How would you notify them when you were coming? How would you know to——

Mr. Ritch. Well, after that trip we more or less set up a base for our organization down there, being Stephen Kalish. He was residing mainly in Panama. He acquired a home, and we finally took a penthouse apartment there also where we kept our pilots, our personal pilots from our Lear jet, and Kalish maintained the security down there, you know, calling ahead. He had a secretary, personal secretary, or he would call Cesar Rodriguez personally.

Senator Kerry. Can you describe the offer that you met in?

Mr. Ritch. As I said, it was on top of a large bank building. It was at one time or was a discotheque like, you know, with glass windows, say. The view was nice, if I remember right. I believe it had a parking garage, I'm not sure of the floor, but I remember we walked into a parking garage at one time.

Senator Kerry. Was it a fairly lavish office?

Mr. Ritch. I'd say for Panama it was, sure.

Senator Kerry. Do you know whose it was?

Mr. Ritch. I was led to believe it was Cesar Rodriguez'. He was there with his secretary.

Senator Kerry. Now, you say you had Stephen Kalish with you on this. Stephen testified last week. That is the same Stephen Kalish that was with you?

Mr. Ritch. Yes, sir.

Senator Kerry. And did Stephen Kalish work for you?

Mr. Ritch. Yes, sir.

Senator Kerry. In what capacity did he work for you?

Mr. Ritch. Stephen Kalish, he began with me in a position where he was supplying a shrimp boat and more or less a field operations man, you know. He would—I more or less laid back in Cayman, to be honest with you, and Kalish would set up the offload site, supply mainly the offloaders along with some of my friends, and just more or less a general run-around fellow for the organization. He did, you know, 90 percent of the legwork.

Senator Kerry. So, Mr. Kalish was your agent to deal with the Panamanians.

Mr. Ritch. Absolutely, sir.

Senator Kerry. How many times did he go there to launder money for you?

Mr. Ritch. Oh, Stephen Kalish, he frequented Panama up and down. I used to always get on him because he was shuttling the Lear up and down to Panama, I would say dozens back and forth.

Senator KERRY. How many times did you personally go down there to launder money?

Mr. RITCH. I personally made the one trip to oversee how the operation was running. That's the last I went there.

Senator KERRY. Did you ever personally meet with Noriega?

Mr. RITCH. No, sir.

Senator KERRY. But do you have knowledge that Stephen Kalish did?

Mr. RITCH. Yes, sir.

Senator KERRY. Would you describe that?

Mr. RITCH. That was how we were, you know, I wanted to see where we were spending the money. There was a fee we were to pay Noriega for our security in Panama. That's why——

Senator KERRY. Was that fee different from the percentage you have described?

Mr. RITCH. Yes, sir. This was a one-time security fee.

Senator KERRY. What was that one-time security fee?

Mr. RITCH. $300,000.

Senator KERRY. Do you know whether or not Mr. Kalish delivered that to him?

Mr. RITCH. I trusted him enough and saw that he had the money when he left the United States, he had it.

Senator KERRY. You gave him the money to deliver.

Mr. RITCH. Yes, sir, he delivered money to Panama; yes.

Senator KERRY. And did he indicate to you that he did deliver the money?

Mr. RITCH. Yes, sir, he did.

Senator KERRY. Specifically for General Noriega.

Mr. RITCH. Yes, sir.

Senator KERRY. And you knew it was going to General Noriega.

Mr. RITCH. Yes, sir.

Senator KERRY. What did you know it was going to him for?

Mr. RITCH. For Stephen Kalish and myself to have full security in Panama, knowing both of our situations in the United States. Stephen Kalish was a fugitive at the time.

Senator KERRY. What year was this?

Mr. RITCH. It would have been 1983.

Senator KERRY. Did you get that security in Panama?

Mr. RITCH. Yes, sir.

Senator KERRY. Were you able to fully transfer funds from that day on in Panama?

Mr. RITCH. Absolutely.

Senator KERRY. Which banks did you deal with in Panama?

Excuse me, let me come back for 1 minute.

Incidentally, Senator D'Amato, any time you want to interrupt, you go right ahead.

After this first visit in late 1982 to Panama when you went down with Mr. Kalish, did you then fly to Colombia?

Mr. RITCH. Sir, on my trip to Panama, that was one of the objectives also, was to maintain security for our personal Lear jet when we were needed to fly into Colombian airspace to secure a deal or talk a deal with the Colombians, we would leave our airplane in Panama and have the use of their aircraft.

Senator KERRY. OK, now, let's understand this correctly. You flew to Panama to make arrangements to be able to go to Colombia to deal for drugs.

Mr. RITCH. Correct, sir.

Senator KERRY. And Panama was the connection to Colombia to permit you to do that.

Mr. RITCH. Absolutely, sir.

Senator KERRY. And was that connection also a connection through General Noriega?

Mr. RITCH. Yes, sir, we used their aircraft.

Senator KERRY. When you say you "used their aircraft," can you describe that?

Mr. RITCH. Well, the agreement was we'd purchased a Lear 35, which is a very nice aircraft, and they had, at the time, a Cessna Citation. So, kind of one of the things was if General Noriega wanted to use our aircraft for his trips or long distance or whatever, we would have the availability of his aircraft being the Citation, and also the availability to secure the tail numbers on our aircraft from not ever going into Colombian airspace.

Senator KERRY. Would you in fact bring drugs from Colombia in General Noriega's aircraft?

Mr. RITCH. I personally did not ever bring drugs in his aircraft, sir.

Senator KERRY. Did drugs get transported in his aircraft through this deal that you arranged?

Mr. RITCH. We set up a deal that ended up in a drug shipment, sir.

Senator KERRY. Coming in his aircraft.

Mr. RITCH. Yes, sir.

Senator KERRY. And it was transferred then to your aircraft in Panama.

Mr. RITCH. No, you misread me, sir.

We were setting up a large shipment of marijuana, not——

Senator KERRY. By boat.

Mr. RITCH. Yes, sir, dealing with the Colombians.

Senator KERRY. All right.

You say General Noriega made trips in your aircraft.

Mr. RITCH. Yes, sir.

Senator KERRY. Where were those trips to; do you know?

Mr. RITCH. I'm familiar—he used it several times within the country of Panama. I am familiar that he'd taken our aircraft to Washington, DC, on a trip where we didn't have access to the plane. I remember because I had to charter another airplane to use at that time, being in the United States.

Senator KERRY. Do you remember when that was that he came to visit Washington?

Mr. RITCH. I really couldn't tell you the date, sir.

Senator KERRY. The range of dates during which time General Noriega was using your aircraft would be from when to when?

Mr. RITCH. It would have been in 1983 until the present time when Skip was arrested in I think it was July 1984.

Senator KERRY. Skip is——

Mr. RITCH. Stephen Kalish.

Senator KERRY. Stephen Kalish, all right.

Now, which banks did you deal with in Panama?

Mr. RITCH. We dealt with I believe it is BCCI. It is an initialled bank. And then there's a Bank of Panama, Bank of Panama.

Senator KERRY. Were those the only banks you dealt with?

Mr. RITCH. That's the only ones I personally dealt with, sir.

Senator KERRY. Did Cesar Rodriguez direct you to those banks?

Mr. RITCH. Yes, sir, on our trip there we were directed there.

Senator KERRY. Did you deal with the Panamanian branch of the Bank of Credit and Commerce International?

Mr. RITCH. Yes, sir, that's the BCCI.

Senator KERRY. That is the one you dealt with, all right. I am sorry, I did not hear you correctly.

Mr. RITCH. BCCI.

Senator KERRY. Was this a bank favored by General Noriega?

Mr. RITCH. Having been recommended by Cesar Rodriguez, I would say "Yes, sir."

Senator KERRY. Excuse me one second.

Do you know a pilot named Michael Palmer?

Mr. RITCH. Yes, sir.

Senator KERRY. Could you identify him for us?

Mr. RITCH. Michael Palmer having been a pilot in the marijuana business that I know of for years and year, going back to having met him in Miami, I'd say in the—it would have been 1980 approximately, or earlier.

Senator KERRY. Did you participate in a smuggling operation with him?

Mr. RITCH. It was our overall group; yes, sir.

Senator KERRY. He was part of the overall group.

Mr. RITCH. Yes, sir.

Senator KERRY. Did any of the people in your organization work with him?

Mr. RITCH. Absolutely, sir.

Senator KERRY. Did there come a time when you were asked to help get him out of jail in Colombia?

Mr. RITCH. Yes, sir.

Senator KERRY. How did he wind up in jail there?

Mr. RITCH. He was on an airplane trip to Colombia, flying a Queenair, having landed in Colombia, I guess the people that were loading his aircraft hadn't paid the right authorities there, and upon trying to leave, the aircraft was shot, you know, to the point where it wouldn't leave the airstrip, shot up.

Senator KERRY. Who asked you to get him out?

Mr. RITCH. I was in Cayman at the time, and his brother came to see me, along with Michael Vogel.

Senator KERRY. How much did it cost to get him out?

Mr. RITCH. At the time, the Colombians, I believe, we were paying them off on a large load, I believe it was a deduction of approximately $60,000, as I recall.

Senator KERRY. Who was that paid to?

Mr. RITCH. I recall he was in a city, Valdepar, Colombia. It was where he was housed in the jail there is where the payments were made, in Valdepar.

Senator KERRY. And just took him out.

Mr. RITCH. And he was along with another pilot, and at the time I had gone back to Colombia, I had heard he was released, and I just kind of left it. I didn't further it anymore.

Senator KERRY. Now, how was he able to use large DC-6's for smuggling without becoming too obvious?

Mr. RITCH. To my knowledge, on the DC-6 loads that used to come up, these planes were—it was only on given days that Mike would ever fly, certain days of the week, and he usually had notice, I'd say, I remember sometimes he'd know 2 weeks in advance when they'd leave, and sometimes it would be a day or two before then they'd be ready. The understanding I had, when the planes would unload in the northern United States, they were to be on their way back down with a supply of fruit or something to Central America. That was what we were being told.

Senator KERRY. Do you know from firsthand knowledge that Mike Palmer was involved in the drug business?

Mr. RITCH. Absolutely.

Senator KERRY. No question about that.

Mr. RITCH. Yes, sir.

Senator KERRY. Now, were you able to get in and out of Colombia without having your passport stamped?

Mr. RITCH. Yes, sir.

Senator KERRY. How did that come about?

Mr. RITCH. I would say through the people I was dealing with in Colombia, we were secured, also the same as Panama, more or less. You know, when we arrived at the airport we would be in a private aircraft. Usually one person would leave the aircraft with everybody's passport, and if we wanted it stamped, we would have it stamped, or usually, sometimes I had my passport, I had—being a British citizen, I had two British passports, and I would use my old passport which was expired, would still be stapled to the front one, they would just stamp it in the very large page of the old one.

Senator KERRY. Was this at any port of entry or a specific port of entry?

Mr. RITCH. It could have been done at any, I was understood, but mainly Barranquilla.

Senator KERRY. Did you do this—were they noticed ahead of time that you were coming in?

Mr. RITCH. Sometimes I had to—I had several guests that came down there, guests. At one time we allowed somebody to know that they were coming in on a commercial flight one time, and we walked them right through the immigration and customs there, met them at the airplane.

Senator KERRY. There was no doubt in your mind, then, that the smugglers had the ability to control the airport.

Mr. RITCH. Yes, sir, they're controlling it.

Senator KERRY. They could control it and did control it.

Mr. RITCH. Yes, they do control it, yes.

Senator KERRY. Were there airstrips in Colombia which you used regularly for your flights?

Mr. RITCH. Being mainly in the shipping end of the smuggling trade, the airports that were offered to me when I was mainly in the air end of the deal, we were landing on the desert in different small towns up on the desert, where you'd land out there.

And they'd vary at different times of the year due to the weather, where you would land.

Senator KERRY. How would they keep those hidden from police, those airports that were being used for drugs?

Mr. RITCH. I never really saw them try to hide them. They knew the days.

Senator KERRY. They were out in the open?

Mr. RITCH. They were out in the open, sir.

Senator KERRY. To your knowledge, were drug dealers in Colombia also in the weapons business?

[Counsel confers with witness.]

Mr. RITCH. There is some guns being traded amongst the smugglers in the United States and the Colombians, sir.

Senator KERRY. Do you know what kind of weapons were for sale?

Mr. RITCH. They would accept anything that you would bring, more or less.

Senator KERRY. Do you know who they were being sold to?

Mr. RITCH. The major suppliers down there.

Senator KERRY. Well, who were the major buyers of those weapons?

Mr. RITCH. In Colombia it would be the people that were supplying the large amounts of marijuana, so, you know, that controlled the operations down there.

Senator KERRY. Were you aware of weapons being sold to any other groups?

Mr. RITCH. No, sir. There were certain instances where there was a meeting amongst certain Colombians and government officials there, but the end results I don't know, sir.

Senator KERRY. Were you ever asked to deal in cocaine?

Mr. RITCH. I have been approached with cocaine several times, sir.

Senator KERRY. Is there any particular reason that you didn't do that?

Mr. RITCH. I personally was always against dealing in cocaine.

Senator KERRY. Over the almost 20 years, I guess 19 years, you were dealing drugs, correct? You began in 1969. About 17 years, until 1985–86; correct?

Mr. RITCH. Correct, sir.

Senator KERRY. Over that period of time, have you ever estimated how many millions of dollars the whole operation—I'm not asking how much you personally took in, but the whole operation that you had charge of, have you ever estimated how much you folks exchanged in terms of cash?

Mr. RITCH. It was in the hundreds of millions. No, I've never set it down on paper.

Senator KERRY. If one shipment you described was worth, what, $400 million, you said?

Mr. RITCH. If it were to arrive safely; yes, sir.

Senator KERRY. But the ones that did arrive safely, there were a couple worth $200 and $300 million; correct?

Mr. RITCH. Yes, sir.

Senator KERRY. That's just in 1 year. You did this over a period of 17 years or so. Are we talking in the billions, over $1 billion, $1 billion, $2 billion?

Mr. RITCH. Possibly the entire group. I had access to other groups. I'd say you could go into the billions.

Senator KERRY. Help us understand this a little bit. How much money has your group—there's your group and God knows how many others. How much money are we talking about? How much money is being laundered through Panama?

Mr. RITCH. Hundreds of millions of dollars.

Senator KERRY. Each year?

Mr. RITCH. Each year, sir, depending on the loads that are coming in.

Senator KERRY. Was there a lot of competition? Is there competition in this business?

Mr. RITCH. You get to a stage where, you know, you're in a set group there. You know, you work with each other, more or less. And like I said, there was branches of our organization that were, like I said, that were involved in airplane smuggling.

So, we tried to stay on good terms. If they were doing a load and we were doing a load, we kind of went about our ways, did the load, and helped each other sell it. Or say on our large loads, you know, more or less you can flood the market, is what we used to say. You bring in such a large quantity, it's everywhere in the United States then.

Senator KERRY. Did you buy officials in this country?

[Counsel confers with witness.]

Mr. RITCH. I don't really know if I could answer that, sir. I mean, there's officials in this country taking bribes possibly.

Senator KERRY. Do you have knowledge of that, that officials are taking bribes?

Mr. RITCH. Yes, sir.

Senator KERRY. I don't want to get moralistic here or anything, but did you ever stop and think? I mean, here you are sentenced to the next 30 years of your life to spend in jail. Did you ever stop and think about that in this process?

Mr. RITCH. Daily.

Senator KERRY. But you kept on doing it.

Mr. RITCH. Are you talking about prior to my arrest, sir?

Senator KERRY. Prior to your arrest. Before you got arrested, did you ever stop and think about it?

Mr. RITCH. Sir, I was living in the Cayman Islands. I was actually, to be honest with you, I was unaware of the new charges, this 848 continuing criminal enterprise. I thought I was facing a maximum of 15 years with parole.

Senator KERRY. So, you basically thought on a risk assessment basis that the money you were dealing with, 15 years is not a bad investment?

Mr. RITCH. Yeah, I figured I'd have done maybe 3 years or something.

Senator KERRY. Senator D'Amato.

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Ritch, the chairman asked you when you were approached and if you were approached by people to deal in cocaine in Colombia, and you indicated that you had been on several occasions, but you chose not to. Would you care to expand on your answer?

Mr. RITCH. Sir, at the time I pursued the cocaine business or was led to pursue it, I was being pressured by a lot of people due to an investment that had been left outstanding in our organization due to an arrest of a working partner of mine. And I was under heavy pressures, myself and my family, and I had to pursue it.

Senator D'AMATO. You had to pursue?

Mr. RITCH. The cocaine business.

Senator D'AMATO. So, eventually, in pursuance of what the chairman asked you, there did come a time when you became involved in the cocaine business?

Mr. RITCH. To the knowledge of where I saw what I could do in it; yes, sir.

Senator D'AMATO. Would you care to expand upon it? Did that cocaine business bring you into contact with the Colombian dealers?

Mr. RITCH. Yes, sir.

Senator D'AMATO. Now, for how long a period of time did that dealing take place?

Mr. RITCH. Well, on two occasions I had gone to overlook the cocaine business, see what I could benefit, to pass on to these people that were on my back. I personally never did any dealings with the people as actual shipments. I was offered numerous alternatives to the business, you know, carte blanche in the business through my connections in Colombia.

But in actual shipments, I never did them.

Senator D'AMATO. So, you became involved, you're saying, only in a peripheral way as it related to dealing with cocaine?

Mr. RITCH. Correct, sir.

Senator D'AMATO. Let me ask you this. I am going over some of the information that you have given to the committee. You've indicated huge cash payments totaling tens and tens of millions of dollars. Did those dollars flow through the various Panamanian banks that you testified to Senator Kerry?

Mr. RITCH. Yes, sir.

Senator D'AMATO. Did you have to pay anything to anyone other than the moneys that you outlined, I think in the area of about $1 million or thereabouts, that your associates at various times paid to associates of General Noriega, any moneys for this?

Mr. RITCH. No, sir.

Senator D'AMATO. No percentage was then paid?

Mr. RITCH. The banks themselves, such as say Cayman banks, also when you bring in large amounts of cash they'll charge you a 1-percent fee also just to count the cash, and then they have to ship it back to the U.S. Federal Reserve.

So, they're charging you a 1-percent fee right off the top.

Senator D'AMATO. So, there was a 1-percent laundering fee?

Mr. RITCH. Through the banks themselves.

Senator D'AMATO. Through the banks, that they took right off the top?

Mr. RITCH. Right, sir.

Senator D'AMATO. Now, would you estimate how much money or could you give this committee an idea of how much money you put through those Panamanian banks?

Mr. RITCH. It would have been $100 million.

Senator D'AMATO. $100 million. What was the fee there? Was it 1 or 2 percent or 2½ percent? Do you know or do you recall?

Mr. RITCH. I couldn't answer that directly.

Senator D'AMATO. But there was a fee taken off the top?

Mr. RITCH. Yes, right off the top, sir.

Senator D'AMATO. Let me ask you about your dealings with the Colombians. You talked about I don't know how many major loads and that they would take their top off. Would you go through that for us just a minute.

Mr. RITCH. They would do what, sir?

Senator D'AMATO. Well, you would take $1.5 to $2 million would be your profit on one of these large loans; is that right?

Mr. RITCH. Yes, sir, that would have been, say, a large shrimp boatload.

Senator D'AMATO. Payment to the Colombians might run as high as $20 to $30 million a load, and you were paid anywhere from $2 to $5 million a trip to move the money. Did you move money?

[Counsel confers with the witness.]

Senator D'AMATO. I'm now talking, I'm talking about movement of large sums of money, the money laundering itself. Were you ever involved in actually moving large sums of money for the Colombians?

Mr. RITCH. Well, you'd have to move it for them, sir, because you'd have to pay them for their load. So, certainly you move it to a point where they want to collect the money, whether it be Panama or Miami or Cayman Islands.

Senator D'AMATO. Did you ever move as much as $20 to $30 million at one time?

Mr. RITCH. In one particular shipment in itself?

Senator D'AMATO. Yes.

Mr. RITCH. No, sir.

Senator D'AMATO. Well, how much would you move at one time?

Mr. RITCH. For security reasons, you try and limit it to $2 to $5 million per load.

Senator D'AMATO. $2 to $5 million?

Mr. RITCH. Yes, sir.

Senator D'AMATO. Did you then deposit that money in various banks for them?

Mr. RITCH. Yes, sir.

Senator D'AMATO. Those are the same Panamanian banks?

Mr. RITCH. Yes, sir. Our organization, that was where they were mainly banking after Cayman.

Senator D'AMATO. I think the Senator asked you a question and I think you responded. He asked you the totality of all the money that you handled, and you said, "Well, over the years it would go into the hundreds and hundreds of millions of dollars."

But are you saying that your organization put through in the Panamanian banks—that's your marijuana that you were selling—about $100 million that you knew of?

Mr. RITCH. Yes, sir, that's a round figure.

Senator D'Amato. I have no further questions, Mr. Chairman.

Senator Kerry. I think it's significant, and maybe you can help me out here, Leigh, because I'm still learning about this. But how does the marijuana market compare to the cocaine market?

Mr. Ritch. The marijuana market, well, it's a very large distribution. You're dealing in large bulk if you're importing the amounts we were. You're talking distributing it across the United States and not one city.

Say on a large load, we would send tractor-trailers to, say, Detroit, MI, New York City.

Senator Kerry. You'd just stack it into a tractor-trailer and off it goes?

Mr. Ritch. Yes, sir.

Senator Kerry. A semi, down the road.

Mr. Ritch. And we'd have a distribution point set up where the distribution network that we were dealing with, they'd have a city that they worked out of, such as Washington, DC, or whatever. And we'd just leave the truck.

Senator Kerry. Is it more or less lucrative than the cocaine market?

Mr. Ritch. I was never really into the cocaine market to see the amounts of dollars. I always heard through all the associates and et cetera that the cocaine market was the way to make the quick dollar, the easiest for the amount of trouble, being easy to conceal, the amount of time.

But that was always understood, and you're dealing with a different class of people. The marijuana trade is more of a college, high school friends, and people you've grown up with, you know. You know, you're not getting into the organized——

Senator Kerry. Did you have occasion to learn of any of the other type of business dealings that General Noriega was involved in?

Mr. Ritch. Just in our business, you know, we had dealt down there. We were going to ship a large amount of marijuana through there, being in containers on a cargo ship we had purchased, to ship to New York City, which never came about due to the arrest of Kalish.

Senator Kerry. You purchased a cargo ship from who?

Mr. Ritch. The ship was purchased out of a corporation in the Cayman Islands.

Senator Kerry. Was this a Noriega corporation?

Mr. Ritch. The people we purchased it from were in the legit shipping business. They just happened to have a ship for sale and we purchased it and reregistered it. Actually, I think we were going to actually title it as it was for the trip, to keep it discrete.

Senator Kerry. Did banks ever compete with each other or just individually come at you to try to get your deposits?

Mr. Ritch. Being around Cayman the years that I was around there, I dealt with some of the banking people there in the community, and back in the seventies I used to have them come to me and say: "Leigh, why don't you come over and deposit with us" or whatever.

Senator Kerry. Let me just say for the record that there are two things I want to clarify here. Michael Palmer was arrested in the biggest marijuana bust in Michigan history. The charges against Michael Palmer were later dropped. We currently have a subpoena for Mike Palmer. He is unfindable at the moment, a fugitive from justice.

But one of the things we want to ask about, and I want to ask you if you know this—Mike Palmer received a contract with the Nicaraguan Humanitarian Assistance Organization under the corporation Vortex.

Are you familiar with that?

Mr. RITCH. I was familiar he was flying some sort of aid on these DC-6 loads, like I said. That was his understanding——

Senator KERRY. So, you know the Michael Palmer who was in business with you in drugs was also flying assistance to the Contras; is that accurate?

Mr. RITCH. To Central America. The exact stops he was making—he was definitely flying something.

Senator KERRY. He was flying what, do you know?

Mr. RITCH. Well, in our understanding it was like produce and clothing.

Senator KERRY. Where was he flying out of?

Mr. RITCH. Well, the loads were arriving in Michigan. As far as where—you know, they would refuel the airplane. I'm not sure where he'd pick up the——

Senator KERRY. But you are familiar with the fact that he was arrested in that marijuana bust?

Mr. RITCH. Oh, yes, I'm familiar with Michael Palmer.

Senator KERRY. Are you familiar with that bust?

Mr. RITCH. In Michigan, sir?

Senator KERRY. Yes.

Mr. RITCH. That's part of my organization.

Senator KERRY. So, it was part of your marijuana proceeds that were part of that bust? That's accurate?

Mr. RITCH. Yes, sir. I benefited from some of those DC-6 loads.

Senator KERRY. Do you know that the charges were dropped against Michael Palmer?

Mr. RITCH. He told me that.

Senator KERRY. Do you have any knowledge of how they came to be dropped?

Mr. RITCH. No, sir.

Senator KERRY. But you do know that they were dropped?

Mr. RITCH. He told me that they were going to be dropped.

Senator KERRY. Did he say how he knew they were going to be dropped?

Mr. RITCH. No, sir.

Senator KERRY. Well, Mr. Ritch, do you have anything that you want to add at this point in time?

Mr. RITCH. Sir, you said Michael Palmer is on the street free?

Senator KERRY. We have a subpoena out for him. We're looking for him. Do you know where he is?

Maybe you want to talk to me after. We'll chat after we recess. I have a feeling that I know where he is now, too.

Mr. RITCH. It's kind of a shock that I'm here with 30 years, no parole, and Michael Palmer is on the street, you know. He was the top man in an organization.

Senator KERRY. He was the top man in whose organization?

Mr. RITCH. Well, an overall picture of the Detroit end of the group.

Senator KERRY. Can you tell me a little bit more about him?

Mr. RITCH. There was a little conflict between Michael Palmer and us, one being there was a little bit of jealousy, I think, in some of the loads we were doing being such large amounts. Palmer, having his connections through the U.S. Coast Guard and stuff, he was tipping us certain times for shipments coming up.

I lost one of my better friends due to him on a large load coming up, him saying not to do the load, that it was tipped off through the Coast Guard, that he had knowledge of it being overflown, which it was being overflown, but it was successfully unloaded anyway.

Senator KERRY. When you say you "lost one of your friends," what do you mean?

Mr. RITCH. Well, there was a big fight the day before the barge was to be unloaded and there was a big conflict. It took a couple years to get back to normal, due to this fellow pulling back the status he was supposed to represent in the offloading due to Michael Palmer telling him to back away.

Senator KERRY. And this is the same Michael Palmer who was paid U.S. citizens' tax dollars to fly assistance to the Contras; is that correct?

Mr. RITCH. Correct, sir.

Senator KERRY. I have a couple of questions, but I think, given the hour, what I am going to do is go into them with you privately afterward.

I want to thank you for cooperating with us. You are obviously paying a serious price, as you ought to be paying, incidentally, for what's gone on. But by the same token, this committee is appreciative of your help.

And if we need further help, I hope we can count on you as we try to unravel this extraordinarily intertwined and rather sordid story. And I can promise you the committee certainly will be grateful for that cooperation.

On that note, let me just inform those wondering, tomorrow morning we will hear from Jose Blandon. And depending on how long that takes, we will see whether or not we will get to the testimony of pilot Floyd Carleton. We are scheduled to start tomorrow morning at 9 o'clock in the morning because of the extensive testimony Mr. Blandon has.

On that note, these hearings will recess until that time.

[Whereupon, at 4:05 p.m., the subcommittee was recessed, to reconvene at 9:05 a.m. on February 9, 1988.]

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: PANAMA

TUESDAY, FEBRUARY 9, 1988

U.S. Senate,
Subcommittee on Terrorism, Narcotics and
International Operations
of the Committee on Foreign Relations,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:05 a.m. in room SH-216, Hart Senate Office Building, the Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Also present: Senator D'Amato and Jack A. Blum, special counsel.

Senator **Kerry**. This hearing of the Subcommittee on Narcotics, Terrorism and International Operations will come to order.

I would like to ask, please, first of all just as a matter of procedure, could the two interpreters identify themselves for the record.

Ms. **Ruckhaus**. Karen Ruckhaus.

Senator **Kerry**. Is there a speaker by which you can do that?

Could I ask you both to rise and state your names for the record?

Ms. **Ruckhaus**. Karen Ruckhaus, R-u-c-k-h-a-u-s.

Ms. **de la Plaz**. Joelle de la Plaz, J-o-e-l-l-e.

Senator **Kerry**. Could you both come back? We need to swear you in as interpreters, if we may.

Would you raise your right hands, please. Do you swear that the interpretation you are about to give will be truthful, complete, and to the best of your ability, so help you God?

Ms. **Ruckhaus**. I do.

Ms. **de la Plaz**. I do.

Senator **Kerry**. Mr. Blandon, could I ask you to please identify yourself for the record.

STATEMENT OF JOSE I. BLANDON, FORMER CONSUL GENERAL OF PANAMA

Senator **Kerry**. Do you promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. **Blandon**. Yes.

Senator **Kerry**. It's my understanding that you wish to deliver an opening statement which you want to give in English, and we appreciate that and we would like you to do it.

I would just like to call attention to the fact that yesterday District Attorney Morgenthau talked about the problems of drugs and the increasing problems which law enforcement are having. Part of the effort of these hearings is to underscore the degree to which decisions we make about Panama, Colombia, and Central America, law enforcement with other countries, affects our lives here at home, and that is a central part of all of our efforts here.

Yesterday we said there had been 43 killings in the city of Washington. Well, we wake up this morning to learn that there have been now 44. The front page of the Washington Post says "Man dies in hail of bullets at busy intersection in Southeast."

And indeed, there was a gangland-type slaying last night of a drug dealer on the streets of Washington, right in the presence of multiple bystanders. I think nothing could underscore more the importance of what we are trying to get at, both from a foreign policy perspective as well as a domestic perspective.

Mr. Blandon, thank you very much for being here.

Mr. BLANDON. Thank you very much, Mr. Chairman. My name is Jose I. Blandon. I was born in the Republic of Panama on October 30, 1943. I am 44 years old. My father is a carpenter and my mother is a country woman. They taught me the moral and ethical tenets which govern my life.

I graduated first in my class from high school in Panama and won a full scholarship for university studies. I then attended the University of Mayaguez in Puerto Rico, where I obtained a degree, magna cum laude, in agricultural engineering with a specialty in scientific research. I did graduate studies in economics and finance through various international courses and universities.

I have published several essays on the politics, economy, and history of my country and Central America. I have written a comprehensive treatise on the economic history of Panama. I have also attended and participated in international conferences and forums.

My professional careeer began in 1966 as a counterpart researcher in a United Nations irrigation project for the La Vila in Los Santos, in the Republic of Panama. In 1969, I proudly joined the revolutionary government of Gen. Omar Torrijos as programming chief of agrarian reform, which helped to resolve the problem of landless peasants in my country.

From that time until the present, I have officially worked in the following areas: 1969–72, planning chief for agrarian reform; 1972–76, planning chief for the farming sector; 1976–78, chief of finance for the power company; 1978–82, deputy director of the power company; 1982–86, director general of the power company; 1986 until January 1988, Consul General of Panama in New York.

My political career began in Panama with the struggle to defeat the treaties which the government of then President Marcos Robles tried to impose on our people in 1967. In the judgment of our generation, these so-called three-in-one treaties did not resolve the basic problems and differences which characterized relations between Panama and the United States.

During the revolutionary government of Omar Torrijos, I was his political advisor. Especially from 1977 to 1981, the year of his death, I was indeed his closest political advisor.

This proximity to Torrijos gave me firsthand knowledge of his most intimate political thinking. As a result of the Sandinista revolution, Torrijos created a specialized political intelligence office under my direction. This office worked directly and exclusively for the commander in chief of the armed forces of Panama and it was given access to all intelligence sources in the country.

This allowed me to work very closely with Panama's network of intelligence. The office continued to operate after Torrijos' death and right through to the present. Due to my new job in New York in 1986, I ceased to be its chief, though I continued to coordinate information with it.

As a civilian, I am a member of the Revolutionary Democratic Party, PRD. I am a founding member of that party, a member of its political directorate and political commission, and one of its principal leaders. I worked on my party's electoral campaign in 1984 and through my work and that of the rest of our team, we obtained a clear parliamentary majority.

I am a firm believer in democracy and the participation of my people in the most important decisions of our country.

In my testimony before this committee of the U.S. Senate, let me make one point very clear. I am here because I love my country and I want to save it from the grasp of a criminal enterprise. Manuel Noriega says I am a Benedict Arnold, but the real Benedict Arnold is Noriega, who betrayed his own people.

My bank accounts are open for the world to see. Will General Noriega do the same? My life has not been made easier by what I am doing. I have put myself and my family at great risk, and I am not able to live in my own country. I appear here with no immunity and no agreement whatsoever.

I ask, Mr. Chairman, the U.S. intelligence agencies to open their records so that the world knows who is on their payroll, Manuel Antonio Noriega or me.

I think that Panama deserves a bright future where its citizens can enjoy their rights to the fullest, where there is no fear of repression, abuse of authority, and where the government agencies obey and respect the laws and the constitution.

This was the historical promise of Torrijos. All of us worked hard in order to obtain it. General Noriega and a small number of civilians and military personnel who control the Defense Forces have foresaken these ideals.

Historically, my country has maintained a struggle, generation after generation, to obtain total independence and to regain our most important geographic resource, the Panama Canal. The vast majority of the Panamanians are also determined to establish a government based on democracy, liberty, and honesty.

We began in 1968 a process which culminated in the new treaties of 1977 and which modernized relations between Panama and the United States. Not all Panamanians are happy with that treaty, but a large majority of us accepted them in a national plebiscite.

Through these treaties, however, Torrijos and those of us who worked with him made a commitment to the people of Panama, to Latin America people and leaders, and to the people of the United States and its leaders, to establish full democracy in Panama through free elections, and through a government under the leadership and control of the civilians.

Panama's armed forces made a commitment also to go back to the barracks and to refrain from involvement in any party politics. This was the historic promise and commitment of Torrijos.

Many political figures in the United States, Democrats and Republicans alike, paid a high price for supporting the treaties. I refer to former President Jimmy Carter, Senators Church, Bayh, Howard Baker, and many others, to whom the people of Panama and those of us who worked closely with Torrijos owe a large moral debt.

After Torrijos' death, Panama fell victim to a vicious internal struggle within the armed forces, which has resulted in their control by Gen. Manuel Antonio Noriega and a small group of officers. The course set by Torrijos was reversed 180 degrees.

Instead of returning to the barracks, the military forces expanded their involvement in government at all levels, including such normally civilian responsibilities as immigration and customs, the ports, railroads, and airports. Carefully selected civilians, acceptable to Noriega and his clique, were placed in key positions in the ministries and the courts.

Together, Noriega and his group have turned Panama into a gigantic machine for all sorts of criminal activities and enterprises.

Since 1982, we have been struggling to establish a democratic process in our country. But the political interests of our group clashed with the financial interests of Noriega's group.

The 1984 elections were a hard test for Panama. While our people were working hard to establish a democracy, the group led by Noriega was busy subverting the electoral process. They were also actively promoting in that year their illicit activities.

The 1984 electoral project failed, and with it the government of Nicolas Ardito Barletta. Toward the end of 1985, we tried again to reconstruct a democratically viable government with President Eric Arturo Delvalle. We had relative success.

Again in 1986, however, Noriega's personal and political interests derailed this attempt and the country began to sink into the deepest political crisis of its history.

In 1987, we tried to find a political solution to the growing crisis, but once again the interests of the drug traffic prevailed in Panama. Last year in June, when a close friend of Noriega exposed in public much of the corruption and excesses of the Noriega group, a political revolution exploded in my country.

People from all walks of life took to the streets to demand a political housecleaning. Their demands were simple—freedom, democracy, and justice. But their peaceful protests were ruthlessly repressed on Noriega's orders with rubber hoses, shutguns, and tear gas.

Toward the end of the year, Noriega closed down all opposition newspapers and radio stations. Yesterday he closed another radio station. That severed all avenues for dialog and negotiations, and thus aborted any political solution.

Recent events have opened a new chapter in the life of my country. I wish to express, Mr. Chairman, that I shall answer with the truth and nothing but the truth the questions which you and other members of the subcommittee may wish to pose.

I am honored to meet with you and deliver to you copies of the indictments handed down by various grand juries of the United States, in which grave charges are made against the commander of the armed forces of a nation which is a member of the Organization of American States. If these documents could be distributed to the other members of the permament council of that organization, who may consider them to be of great interest, I shall be grateful to you, Mr. Chairman.

May I take this opportunity to assure you once again of my highest and most respectful esteem. Thank you.

Senator KERRY. Thank you very much, Mr. Blandon. I appreciate your comments. I think it is a very direct and important statement that you have made and a good introduction to where we are going.

Let me explain to everybody precisely how this is going to work. It's the first time I have done it and I think the first time the committee has done it in some time, so bear with us if there are a few glitches. We're going to be doing a simultaneous translation.

I am grateful to the State Department for distributing the equipment that makes this possible. I believe that almost all seats here have available headphones. If you don't wear the headphones, what you will be hearing is my question in English, Mr. Blandon's answer in Spanish.

If you wear the headphones, you will hear a simultaneous translation of both.

Mr. Blandon, if you would like at any time to answer something in English, obviously we'd welcome that. But I understand your request to want to be very precise and to feel more comfortable in your ability to be precise with the simultaneous translation.

Let me also say that the story we're going to tell, that Mr. Blandon is going to tell to the committee, and that the committee is trying to elicit is complicated and detailed. I would like to try to set it up, therefore, as follows.

We'll go for about 2 hours, take a 15-minute break, then come back, go until lunch, at which time we'll break for about an hour for lunch, come back, go for a period of 2 hours, take a 15-minute break, and then see where we are, and continue at that point.

I have spent, along with the staff, considerable hours with Mr. Blandon, and I believe that there will be details elicited through the course of the day which have not previously been made public.

Is that accurate, Mr. Blandon?

Mr. BLANDON. Yes.

Senator KERRY. What I'd like to do, Mr. Blandon, is begin if we can by trying to create a beginning. Would you share with us a description of how it was that General Noriega came to power and came to control the entities that he now controls?

Mr. BLANDON [through translator]. Yes, of course. As I said in my opening statement, in 1968 in Panama Gen. Omar Torrijos Herrera came to power and he began a series of important changes in the life of our country. During that time—and I won't go into the details of that period, but I would like to mention, a time that was characterized by social reform, agrarian reform, reforms in education. There was development of mass transportation and of the health care system in our country.

In addition, there was also development of higher and university education in the country. And this all culminated in the signing of the Torrijos-Carter treaty. This entailed the political commitment by virtue of which by the year 2000 it would have a goal of returning the canal to our hands, and for this we would need to have a civilian government.

Unfortunately, Gen. Torrijos Herrera died in 1981, and it is at that time, Mr. Chairman, that I would like to begin my comments. As of 1981, the Republic of Panama was victim to one of the most severe internal struggles within the Defense Forces in Panama.

With Torrijos' death, three different leaders began to struggle to control the Defense Forces of our country, and this lasted until 1987—Gen. Herrenda Dia Paredes, Col. Desentonces Diaz Herrera, Manuel Antonio Noriega.

In 1982, Mr. Chairman——

Senator KERRY. Mr. Blandon, if I could just clarify as we go along. General Noriega in 1982, at the time of the struggle, held what position?

Mr. BLANDON. Since 1981 until 1987, when he became chief, he was in charge of the intelligence services, the chief of intelligence for the Republic of Panama.

Senator KERRY. How long had he been in charge of intelligence for the Republic of Panama.

Mr. BLANDON. Since 1971 to 1983, so that is about 13 years.

Senator KERRY. During that time, do you know whether or not he had a relationship with the United States?

Mr. BLANDON. Well, since 1976 General Noriega had very close dealings with the United States. Prior to the revolution, he already had dealings with the United States, especially with the intelligence agencies of this country. After the revolution, his ties became closer and he became in charge of Panamanian intelligence, and then he began to work very closely with all the intelligence agencies of the United States.

As I was saying, Mr. Chairman, in March 1982 this internal struggle culminated in a document which was signed by those involved that sets up the way in which the different commanders of the Defense Forces are to work together. It determines who is to be the President of the Republic of Panama in 1984.

But what was put down on paper was not followed and practiced and the republic continued to see a struggle between Paredes, Noriega, and Diaz Herrera. And this led in 1983 to the loss—Paredes lost and he left his post and Diaz Herrera and Noriega came to an agreement, in that Noriega would be in charge until June 1987 and that after that Diaz Herrera would become the head.

In June 1987——

Senator KERRY. Could I interrupt you now. Do you have a copy of this document?

Mr. BLANDON. A copy right here, which I would like to present to the committee.

Senator KERRY. I know your wife is here, Mr. Blandon. Would you just like to introduce her.

Mr. BLANDON. Yes, of course. I have my wife Yvonne Blandon with me. She is a student, a graduate student at the Auburn University of Alabama. She's specializing in shrimp breeding.

Senator KERRY. We would like to welcome her here also. We are grateful to you both, because we know you have gone through a considerable disruption in the course of the last weeks and months. And I thank you very much for being here.

This document which I have is the official agreement signed by General Paredes, by Manuel Noriega, and by Diaz Herrera; is that correct?

Mr. BLANDON. Correct, yes.

Senator KERRY. This is the agreement between them by which the future of Panama and its presidency was determined?

Mr. BLANDON. Yes, that is correct.

Senator KERRY. And this is the agreement which permitted Noriega to come in after Paredes; is that correct?

Mr. BLANDON. Yes, it is.

Senator KERRY. This will be submitted to the record.

[The material referred to appears in the appendix.]

Senator KERRY. Now, as this struggle evolved, Paredes left, Noriega came in. And then what took place to the institutions and the life in Panama?

Mr. BLANDON. Well, as you can see in that agreement, Mr. Chairman, it clearly states that Paredes was to be in charge of the political arena, as Noriega would be in charge of the military area. Paredes was to lead. In practice Noriega, who was at that time a colonel and was in charge of intelligence forces, in practice was in charge of the area because Paredes was in charge of political activities.

And that is where a new stage in the history of Panama began, and this commenced August 12, 1983, when Noriega took power in Panama. And not only did he come in charge of forces, but by virtue of a new law, he changed what at that time was called the national guard of Panama and it became the Panamanian Defense Forces, thereby expanding their control over many institutions.

And you will see how later on these forces have constituted a sort of empire which can carry out any type of activity within Panama.

Senator KERRY. So, by virtue of the agreement, General Noriega carved out for himself control of the critical entities of the life of Panama; is that correct?

Mr. BLANDON. By virtue of the agreement, no, but by virtue of this new law which was approved in September 1983. By virtue of the agreement, the political control in the country went to the hands of General Paredes.

What I'm trying to say is that all of this contravenes the agreement, the political agreement which General Torrijos had set up as a result of his agreement with President Carter and other leaders in Latin America.

Senator KERRY. I would like to put two charts up here, Mr. Blandon. One is titled "The organization of the criminal empire under Manuel Noriega" and the other is "The international network," which you will come to secondarily.

Now, I wonder if you could describe precisely what the chart of the organization of the criminal empire means, each of those categories, and tell us what the areas of control of General Noriega uses to conduct his criminal enterprise.

Mr. **Blandon**. Well, after the Sandinista revolution of 1978 and 1979, which culminated with the triumph of the Sandinista regime, in Central America and especially in Costa Rica, we saw an infrastructure which would be used by General Noriega and by the head of the security at the time, General Charia, would be used to sell weapons in Central America and smuggle weapons there.

There was a network of pilots who were in charge of providing and selling arms in Central America, and this grew in 1980, 1981.

Since that time in Panama we saw the development of an enterprise which was not only in charge of transporting weapons, but also of carrying out other operations. In 1982 the United States was able to set up barriers to control arms traffic to Central America and especially to El Salvador.

Senator **Kerry**. Mr. Blandon, I want to try to slow it down, so we can all stay with you here.

So, if you can just speak a little bit slower, I think we'll have an easier time following.

Mr. **Blandon**. Yes, of course.

As I was saying, in 1980 after the Sandinista revolution we saw the beginning of traffic of weapons from Panama and Costa Rica to El Salvador.

Senator **Kerry**. Who were these weapons being sold to in El Salvador?

Mr. **Blandon**. The weapons were being sold to the National Liberation Front, the FNLN of El Salvador, basically. And it was a group which at that time had millions of dollars in their hands because they had obtained those funds through kidnapings which they had carried out during a previous period.

As I was saying, the group were providing weapons to the Sandinistas and it was regrouped by Noriega for this new network for the smuggling of weapons and other illegal items to Central America.

Senator **Kerry**. Now, at the time General Noriega had a close relationship with the United States; correct?

Mr. **Blandon**. Yes, of course. At the time General Noriega was chief of military intelligence in Panama.

Senator **Kerry**. Was he working with the CIA?

Mr. **Blandon**. Yes, he worked with the Central Intelligence Agency and with the central intelligence agencies, working in different branches of the U.S. Army stationed in Panama at the various military bases there.

Senator **Kerry**. The policy of the United States at that time was to support the Government of El Salvador; was it not?

Mr. **Blandon**. Well, the U.S. policy, yes, was in support of the government of Napoleon Duarte, and they were entering an electoral process in 1982.

Senator **Kerry**. So, while General Noriega was working with the CIA and being paid by us and had a close relationship, he was selling arms to the rebels that were fighting the government we were supporting; is that correct?

Mr. **Blandon**. Yes, that is correct.

Senator **Kerry**. Would you please go on.

Mr. **Blandon**. After the changes in these activities to Colombia, we saw the beginning of a new process in Panama which coincided with the struggle for power within the Defense Forces. And in 1982 we saw the beginning of what I would call the organization of this criminal empire.

You can see there on the chart that the empire is directed by Noriega himself, and he had set up different groups. The first group was the pilots who were in charge of all the arms deals and drug traffic activities. That group primarily includes Enrique Pretelt, who is at the time living in Panama, Floyd Carlton, who is awaiting trial in the States, Richard Belonik, the pilot——

Senator KERRY. Is that the same Floyd Carlton who will testify here tomorrow?

Mr. BLANDON. Yes, sir, it is the same Floyd Carlton who will be here tomorrow and who knows all the details of all the operations conducted between 1980 to 1986.

Senator KERRY. Do you know Mr. Carlton?

Mr. BLANDON. Yes, I do.

Senator KERRY. I would like by way of background to put your knowledge of this criminal enterprise into the proper perspective, to ask you to describe your personal relationship to General Noriega.

Mr. BLANDON. Well, since 1971 when the agrarian reform process was launched—and as I said, I was in charge of planning it—Noriega was a major in the province of Chiriqui and was the commander in that area, which was one of the most important agrarian reform areas. Well, that is when I met him.

At the time, as I said, he was a major. But my political rapport with him, who was later lieutenant colonel, actually began with General Torrijos decided to set up a political team to act as advisors to him and I was included in the group.

And as of 1977, when the political intelligence group was set up by General Torrijos, is when I began to work closely with Colonel Noriega.

But after an incident which occurred in 1980, when Cesar Rodriguez was taking weapons to El Salvador in an airplane owned by the Defense Forces of Panama which had been seized and used for drug trafficking and was under Noriega's custody, after that incident, when Floyd Carlton rescued Cesar Rodriguez, Torrijos began an investigative process around Noriega.

And he entrusted me with the task of discussing with Rodriguez the reasons behind the traffic of weapons to El Salvador. And Rodriguez told me that he had been authorized by Colonel Noriega to undertake that activity.

When I told Torrijos this, he held a meeting with Noriega, and as of then in 1980 and up to 1981 Noriega was the object of investigation by General Torrijos, who asked me to go with Noriega to all international events where he would go.

Senator KERRY. You want to try to keep it slow still, so we can all follow.

All right, at that time you started working very closely with him; is that correct?

Mr. BLANDON. Yes.

Senator KERRY. How often would you meet with General Noriega?

Mr. **Blandon**. When Torrijos was alive, for any local or international mission it was two or three times a week. And after Torrijos' death, I would say that on a daily basis, either in personal meetings or through telephone calls. In other words, I had access to General Noriega any time I wanted, as often as I wanted to, in terms of the activities that I carried out.

Senator **Kerry**. You became very familiar, then, with General Noriega's lifestyle, didn't you?

Mr. **Blandon**. Quite well, yes.

Senator **Kerry**. Do you know how much General Noriega's salary is?

Mr. **Blandon**. The formal salary as the commander of the armed forces is between 3,500 to 4,000 balboas, which is around $1,500 as a basic salary, and $2,000 to $2500 paid in what we call per diem, that is an additional salary for other activities.

There is no other official in the Republic of Panama that has a salary by law over 5,000 balboas. That's the official salary.

Senator **Kerry**. So, annual dollars salary is how much, annual dollars?

Mr. **Blandon**. $60,000 as a maximum. As an average, it could be between $50,000 and $55,000 per year. That's the salary as commander of the Defense Forces of Panama.

Senator **Kerry**. General Noriega has been in the military all his life; correct?

Mr. **Blandon**. Yes, that's so.

Senator **Kerry**. Did he come from a family of any personal wealth?

Mr. **Blandon**. No, on the contrary, General Noriega comes from a very humble, poor family.

Senator **Kerry**. Would you describe for us General Noriega's lifestyle as you knew it when you left Panama in 1986, 1987.

Mr. **Blandon**. General Noriega at this point right now, his lifestyle is what we would call in Panama a foreign-like lifestyle. By that what I mean is that in the Republic of Panama he has approximately 12 houses in which to live. He has BMW cars, several of them. He has got three specialized cars. These are vans, actually.

He has got a number of planes, helicopters, jets, executive jets. He has as far as I know homes in France. His homes are full of luxury-type furnishings brought from Asia, countries in Asia.

His military dress is bought exclusively for him outside of Panama. He has got shelves full of over 200 military caps. He has got canes that are engraved.

Senator **Kerry**. Caps are to Noriega what shoes were to Imelda Marcos, I take it?

Mr. **Blandon**. Possibly.

Senator **Kerry**. You mean shoes are important, too?

Mr. **Blandon**. As you can see, the way he dresses, his military boots are golden and also silver. But as you can see, so that you know what we mean by foreign-like style, in December 1987 he decorated himself with a decoration or medal called the Eagle Medal.

This is a typical eagle of the mountain regions of Panama, and this medal or the cost of this medal was over $85,000. It is made of gold and precious stones. And on December 16 it was given to Noriega for no victory or no battle at all.

This can give you an idea of how he lives. But also, it is interesting to see how these new fortunes of these military men are spent. You can see it in the way in which their children are spending the money. I'll give you just one example.

One of the daughters of General Noriega was in New York and in 1 day she spent over $50,000 in purchases in New York stores.

Senator KERRY. Mr. Blandon, not that I doubt you, but how do you know that?

Mr. BLANDON. Because I was the New York consul and people who work with the consul go and help these people.

Colonel Purcell's son in the political crisis of 1987 in Panama bought a Porsche worth $87,000, paid in cash, in the Republic of Panama in the midst of the 1987 political crisis.

What I'm trying to say by all of this is that this empire produces so many resources that this new wealth, well, they don't even know how to spend it. And these people's homes, specifically people like Noriega and Purcell, people who are in the army chief of staff, they have luxury articles, but show little class.

Senator KERRY. Do you know where General Noriega keeps his personal fortune, in what countries, in what banks?

Mr. BLANDON. The question is very interesting, and as a matter of fact, Mr. Chairman, yesterday under an order sent by General Noriega to Panama's attorney general, because there is an investment of securities in my country, and based on that we have made a number of charges against General Noriega, and so General Noriega decided to investigate in Panama those who are charging him.

And I was telling the attorney general of the Republic of Panama that it was important for him to begin investigation, not because Noriega would ask him to do it, but because it was necessary for our country; and that I would put at his disposal, that is the attorney general's disposal, all the information I have, which is not much, but what I have, just as Manuel Antonio Noriega should put at the Panamanian authorities' disposal information on his accounts, his homes, et cetera.

Because the system used by General Noriega to develop his empire can be seen in this chart, where we speak of private banks. There are different banks in which he carries out his operations.

One of them is the ICCB Bank, the International Commerce and Credit Bank, which operates in Panama and has branches in the rest of the world. It would be interesting to find out from these banks and the international banking system how much General Noriega has.

Senator KERRY. Do you have any knowledge personally as to General Noriega's worth, as to how much he is worth?

Mr. BLANDON. Well, there are various speculations in this area. You could find that anywhere from $200, $600 million to even $1 billion. General Noriega has more sources of resources and more productive sources than Estasa Somoza had in Nicaragua.

This is due to the fact that the Republic of Panama, because of its nature and its level of development, is a country which is much more developed than the Republic of Nicaragua, and it has an infrastructure which makes it possible for these businesses to operate in a multimillion dollar level.

Senator KERRY. Do military officers have the right to write checks to pay for unvouchered expenses?

Mr. BLANDON. No one in the Republic of Panama is entitled to sign checks unless it is authorized by the auditors; that is, in theory but not in practice.

Senator KERRY. Did General Noriega use Panamanian Defense Force money for his own purposes?

Mr. BLANDON. Not once. It's one of the standard practices which Noriega uses to get what could be called in financial terms petty cash, and this would range from using funds from La Contraria, the National Bank of Panama, to the tune of $3 million per year, and this is what he calls his personal petty cash which he carries in his own briefcase.

Senator KERRY. Did U.S. aid before we cut it off go through the PDF, too?

Mr. BLANDON. Could you repeat the question, please?

Senator KERRY. Did U.S. military aid also get distributed to the PDF in some form?

Mr. BLANDON. I'm not sure I understand the question.

Senator KERRY. Regarding the military assistance which the United States gave to Panama, was some of that distributed to the PDF?

Mr. BLANDON. Well, it is for the Defense Forces.

Senator KERRY. So, U.S. military assistance would, in fact, be directly diverted by General Noriega to his own uses. Is that accurate?

Mr. BLANDON. No. I don't have no proof confirming that military assistance from the United States to the Defense Forces were used by General Noriega. I have not said that. I have no proof saying that that is the case.

What I can say is that the funds of the Republic of Panama, the revenues of our country, are used by Noriega for his own personal use.

Senator KERRY. Thank you.

Now, Mr. Blandon, let's go back to this chart now that we have described the money and some of the personal lifestyle.

Would you describe each of the divisions of this chart?

Mr. BLANDON. Yes, of course.

In the first group, which is the private group, that is the group in charge of all illegal activities conducted by the empire; that is, the traffic of weapons, drugs, and cash which is brought in from Colombia to Panama or from the United States to Panama and then introduced into our banking system.

As I was saying, here you have the pilots, and each pilot had his own team of pilots; for example, Enrique Pretelt, who lives in Panama; Floyd Carlton, as I mentioned before.

Senator KERRY. Enrique Pretelt is one of those who was indicted recently; correct?

Mr. BLANDON. Yes. He is one of the closest associates which Noriega has in his money laundering and drug traffic activities. In a few minutes I will explain one of my own personal experiences with that person.

Richard Bilonick, who was also accused by the grand jury in Miami; John Krupnick, who is a Jewish man born in Argentina and lives in Panama; Carlos Wittgreen, who together with Pretelt is in charge of clandestine operations and who works behind the front of a company called Ceda Dinaves, who is used by the fishing fleet in Cuba; John Novi, who is a pilot having a fleet of airplanes used for drug traffic activities; and Cesar Rodriquez, who was assassinated.

If you look at that group of pilots——

Senator KERRY. Rodriquez was a partner of General Noriega; was he not?

Mr. BLANDON. That's correct. Yes, indeed, and he was assassinated in Colombia in a very mysterious way in March 1986. He was assassinated through a party who is now in jail.

And there is one pilot who does not appear on the chart who was also mysteriously—or who disappeared. His name is Philip Watson, and he died after a load of cocaine did not arrive at its destiny, and he was assassinated subsequently. Richard Bilonick is also pending investigation.

So, of that group, most are either dead or in jail.

So, to coordinate this operation with a civilian group, he has a group of military officers who work very closely with drug trafficking and other illegal operations of Noriega.

If you look at this list, you will see that the officers appearing there, Nivaldo Madrinon; Luis Del Cid, who is pending trial also in Miami; Luis Cordoba, who was in charge of the assassination of Luis Spatafora; Hilario Tujillo; Luis Quiel——

Senator KERRY. Let me come back.

You brushed by something. You said Luis Cordoba was in charge of the assassination of Dr. Spatafora. All right, we will come back to that afterward.

Who was the next name.

Mr. BLANDON. Hilario Trujillo; Luis Quiel, who was in charge of what in Panama is called the drug traffic control unit, and he works under Madrinon; Clito Hernandez, whom General Parerez in the past accused of being the perpetrator of his son's assassination and of Cesar Rodriquez also in Colombia. Another son of Parerez is also involved in the Miami trial.

So, these officers whom I have mentioned were all part of the intelligence apparatus of General Noriega since 1971. The first five, Mr. Chairman, the first five are now in different areas of the defense froces and have total control over said forces. That is the true Noriega command. The other, both are pilots and they work very closely with the Panama Air Force.

The air force of our country is one of the most important instruments in drug and weapons trafficking because their airplanes are used to take cash to Panama; they land at the international airport, the Americo Hijos Airport, and go to the air force terminal there.

You will also see Jaime Beniquez, who is an officer who is currently in Washington. He studied in Washington, and he was not expelled but he was transferred from the Cologne area because of his ties to drug trafficking and smuggling in the free area.

And you have Mario Gustines, who is one of the closest Noriega associates. He is a very, very wealthy man, a millionaire, and he has many assets in Panama.

In addition to these groups—that is, the pilots, the officers, and the civilians who are in charge of the money laundering and trafficking activities—there is an absolute control over all of these by Noriega. He controls all the officers involved in these operations, and he does this through the customs, immigration, passport aervices, civil aeronautics, the National Bank of Panama, the attorney general's office.

And for your information, Mr. Chairman, the attorney general in Panama just 6 months ago bought a residence from a friend of mine costing $125,000, and he paid it cash, and that is the attorney general of our country.

You can see that customs is needed to control smuggling operations; immigration, which controls movements of citizens in and out of Panama; and passports is also important because that is a business that I will go into a bit later, a business generating more than $80 million for General Noriega; civil aeronautics is in charge of all airports in Panama; the National Bank, which is key in money laundering operations in Panama; and the attorney general, who oversees and is in charge of cases involving drug traffickers, drug dealers who, when are not charged, are simply sent back to their country of origin, mainly to Colombia. I will later on describe one of the operations, one of the most important operations in 1984.

And Contrador Jenidad, who is the person who provides the funds. He is the treasurer of the country, and he is the one who allows Noriega to have this $3 million in petty cash for his operations and allows government funds to be used for activities that are not directly tied to government activities.

But, furthermore, that network also needs private banks, private banks who are in charge of circulating money generated through money laundering operations.

Panama's banking system has more than 152 banks that have been legally set up in the country and which allow money to come in and leave the country without any type of control. This is part——

Senator KERRY. About 6 or 7 years ago, how many banks were there in Panama; maybe 10 years ago?

Mr. BLANDON. Well, the development of the banking system over the past 10 years is what has made it possible for us to have more than 132 banks now. Maybe back then we had between 25 or 30 banks.

Then we had different types of incentives and laws created for the development of the banking system in Panama. This project was studied and developed jointly with the United States. It is not a money laundering operation. It was intended to develop our financial system to properly and fully take advantage of Panama's geographic position.

I will later on describe, Mr. Chairman, how it is that international drug trafficking has transformed Panama and Colombia and Costa Rica, as well as Honduras and Nicaragua, how they have made this an international venture which not only contravenes the interest of Panama but also the political interest of the United States. And I will speak about this later on.

Coming back to the banking system, this——

Senator KERRY. Mr. Blandon, we are following with great interest, but I just want to make sure we can follow everything.

So, if we could keep going a little slower, that would be helpful. Thank you.

I know you want to come back to the banking system. But I want to just quickly ascertain is there a firm in Panama which is controlled by the Cubans which they use for the importation of high-technology equipment from the United States?

Mr. BLANDON. There are several firms in Panama that are controlled by the Cubans; especially the Reciclaje S.A. is one used by the Cubans to import high technology to their country, and they take it from Panama to Cuba——

Senator KERRY. Would you spell the name, please?

Mr. BLANDON. Reciclaje is—let me see if I can write it, first.

R-e-c-i-c-l-a-j-e S.A. So, it's Reciclaje S.A. It is controlled by a Mr. Brown, who is the manager, and he is a Cuban.

There is another company which is called Simone, and there is also a system set up by the Cuban Government and Noriega allowing Cubans to export shrimp and lobster to the United States. The shrimp and lobster are fished by the Cuban ships. They are sent to Lacamonte, which is a port in Panama, and then they are sent to the United States as if they were shrimp fished in Panama. So, that is another part of the business.

Senator KERRY. Who controls that?

Mr. BLANDON. Also, tobacco is a similar product.

Senator KERRY. Who controls that firm?

Mr. BLANDON. All operations under this area are controlled by Carlos Wittgreen. He is a Noriega associate.

Senator KERRY. Is it true that the shrimp and lobster are then labeled "product of Panama"?

Mr. BLANDON. Yes, that is true.

Panama exports the shrimp because we also produce our own shrimp, and we're developing shrimp breeding; but we include that in our own figures.

If you look at shrimp exporting figures for recent use, you will see that the graph has peaked, and that is not because we have a larger fleet in Panama but simply because we are now also including the Cuban shrimp which I have referred to. The statistics reflect this very clearly.

As I was saying, Mr. Chairman, these four groups produce a flow of moneys which then needs to be channeled to banks abroad or to investors who have "legal dealings" with Noriega. These are Carlos Duque; not Duque as it says in the chart but Duque.

Illdefenso Riandi also is misspelled.

Mike Harari, who is a very interesting character in Panamanian politics. He is a very former general. He retired. He is an Israeli general who retired and worked for 10 years with the Israel intelligence forces services, and he now works for Noriega. He trains and directs his own personal guards and negotiates with Noriega in weapons trafficking operations.

Senator **Kerry**. He trains Noriega's personal guards; is that accurate?

Mr. **Blandon**. Yes. But more than training Noriega's personal guards, he has very important dealings with Noriega in the area of weapons trafficking, because he uses what is called the end user certificate.

This means that when you buy weapons in a given country, you have to say what those weapons are going to be used for ultimately so that they will not be sent to a country which is an enemy of the country issuing the weapons. So, the name of Panama is usually used, and his signature on those certificates produces millions of dollars.

Senator **Kerry**. Just so we stay in context here, later that question of end user certificates is important with respect to the Pia Vesta shipment; is it not?

Mr. **Blandon**. Yes, that is correct.

And there is also a Japanese group, AOKI. They own the AOKI Co. in Japan, and they're also friends of Noriega and have made investments in Panama.

And Ramon Sieiro, who is Noriega's brother-in-law. He's married to Noriega's sister, and he controls all shipbuilding and shipping industries in Panama, and they have revenues of more than $20 million for that one single company.

So, what we have in practice is an empire which since 1972 has grown, and that development or that growth is in turn tied to another important event, Mr. Chairman, another event which was taking place in all our countries.

Starting in 1983 when the government of Betancourt took over the presidency in Colombia and in keeping with policy developed by the then United States Ambassador in Colombia, Ambassador Tamms, who was then later transferred to Costa Rica, we began a very strong fight against the Medellin cartel.

You may recall that in 1983 the Medellin was severely attacked, and since that time the cartel decided to diversity its activities throughout Central America, and it began to set up new processing plants in Panama, in Nicaragua, and began to use other countries for illegal drug traffic.

So, this new thread in drug traffic activities coincided with Noriega's coming to power. As I said, on August 12, 1983, Noriega came to power not only as commander but also at the time he passed this new law giving himself more power to control customs, immigrations, and passport services. This occurred at the same time as the drug trafficking activities developed.

Senator **Kerry**. Do the proceeds of customs go to Noriega? What happens to the proceeds of customs?

Mr. **Blandon**. The proceeds go in directly to Noriega, and these are different types of minor revenues that go directly to the hands of customs officers.

And we have large shipments that are smuggled. The smugglers have to pay the customs officer something.

So, we have two types of dealings: The small dealings, and this would be under $1 million; and then you have the million dollar dealings, which go directly to the commander's hands.

Senator **Kerry**. Looking at the maritime trade, you have mentioned that he had some control of the maritime trade.

Does he profit from the fact that so many vessels fly the Panamanian flag?

Mr. **Blandon**. Of course. The Merchant Marine of the Republic of Panama is a force in the world, and it competes with Liberia. It has over 15,000 ships.

The company controlled by Ramon Sieiro called Marinac, of which Noriega has control, is the company in charge of producing identity passes for the crews of the 15,000 ships. These passes or the crew has to pay Marinac $100 per pass, and they are valid for 2 years, and the crew works $80 per pass. It is the officers $100 and the rest of the crew $80. This certificate has to be renewed every 2 years.

If you multiply the 15,000 ships of the Panamanian Merchant Marine by an average——

Senator **Kerry**. Fifty or fifteen?

Mr. **Blandon**. Fifteen, one five.

If you multiply it by an average of 50 crewmembers and $100, you can see the size. Official estimates show that every year this company, which invests absolutely nothing because it is the Panamanian consulates who have to make these passes and send the checks to this company—they don't do anything, and I know that because I was a consul for a year and I know now how this operates.

So, this produces net proceeds of $20 million. That's their business.

As I said Ramon Sieiro is the brother of the General's sister—I mean of the General's wife, excuse me.

Senator **Kerry**. Is being a Panamanian diplomat a profitable business?

Mr. **Blandon**. It depends on how close you are to Noriega.

Senator **Kerry**. Now, assuming——

Mr. **Blandon**. For instance, the general consul in Miami is consul in Miami or of Miami as well as of other consulates in the Far East. So, his income is around $1.5 to $2 million a year.

Senator **Kerry**. Is the consulate in the Far East particularly profitable?

Mr. **Blandon**. Yes, because most ships of the Panamanian Merchant Marine come from that area, in Japan, Taiwan, South Korea, Hong Kong, Singapore. So, that's where there's the greatest commercial and trading activity of Panamanian Merchant Marine.

Senator **Kerry**. Now, before I turn to some of the specific businesses which we want to look at, let me just ask you a question.

Yesterday Mr. Leigh Ritch, who ran a marijuana smuggling business and who is currently incarcerated in the United States, testified here. Mr. Kalish, who works with him, testified previously. Both of them talked about the BCCI.

Can you tell us a little bit about the BCCI? The BCCI is the bank at which they talked about laundering their money. It was the bank that they were directed to by Cesar Rodriquez.

Do you know anything about the BCCI?

Mr. **Blandon**. ICCB?

Senator **Kerry**. Well, he may have in English changed the letters around, but that is accurate.

Mr. **Blandon**. The English name is International Commerce and Trade Bank. It is the same bank.

Senator **Kerry**. Yes.

Mr. **Blandon**. That is the very same bank in Panama.

It is a very famous bank in Panama. It is led or headed by someone called Feron, and that bank has branches all over the world. Its headquarters is in Europe, and that's a bank that was used by Cesar Rodriquez and is used by Pretelt for money laundering. It's one of the banks used by them.

It is a bank where normally Noriega carries out his international operations, so it is a very—it's a bank that would be very interesting to study.

Senator **Kerry**. You say it is one of the banks. Could you name some of the others?

Mr. **Blandon**. Here in the chart we see the Swiss bank, the Bank of Cafetero, Interbank, and other banks.

In each one of these banks, you will see that there are personal friends of Noriega's. These are the managers.

Senator **Kerry**. Now, turning to the other businesses which General Noriega owns, you have told us about the Cubans.

Can you tell us about the visa business?

Mr. **Blandon**. The visa business has actually two sources of income. On the one hand, the visa is granted to Cuban citizens who wanted to leave Cuba for the United States, and I'll explain that in a moment.

And then the other is visas sold to Asian citizens, especially from Hong Kong, who want to settle in Panama. That's a more profitable business.

The first one that I mentioned, from 1982 to 1986 over 20,000 Cubans left Cuba through the system.

As a Cuban or his relatives in the United States, basically in Miami, has to pay $4,000 per person, and the Republic of Panama officially charges $10 to grant a visa. So, out of these 20,000 Cubans, the Republic of Panama received 20,000 times 10; that is, $200,000, which is the official rate, $10 a visa.

But there was a business with Cuba, and the list would first arrive in Panama, and then Noriega would send an officer of the Defense Forces into Cuba with a list, and Fidel would have this list.

And during that period we have this number that went to Panama but from Cuban citizens living in the United States, $80 million went to Panama that were distributed mainly between Noriega and Diaz Herrera.

You may remember that in one of the statements made by Diaz Herrera in Panama, he said that there were three parts that were distributed. One was for him, and he earned millions of dollars from this. And he, himself, said that he was able to build his home that he said cost $500,000 but because of its location and its size that house is worth more.

But let's assume that that is the price, $500,000. So, he had one share, and the other share was for Herrera.

But this business has to be carried out in coordination with Cuba. You cannot go to Cuba and ask for visas, for instance, if you don't have an authorization of the Cuban immigration authorities.

That was one of the ways used by Castro to have a certain control over Panamanian officers. He bought this service by the Panamanian defense authorities for the activities carried out which are not only of a commercial nature but of a political nature, too, as we will explain later on. So, that was part of the business.

In Panama presently--and, by the way, American authorities, no doubt the U.S. Immigration authorities knew about this business.

At a meeting in which I participated, they complained about the situation, and they suspended visas toward the United States after over 16,000 Cubans had already come in. In other words, in Panama right now there are about 6,000 Cubans who are there and who are being claimed by their relatives in Miami because the United States closed down that activity, even though they knew that this was a deal that Noriega had and they knew its cost because there had been many complaints by Cubans who had claimed relatives. Sometimes they paid the money and then the relative didn't show up.

So, this deal, this business, I would call it a business in which Fidel gave payments to the Panamanian Defense Forces, and American authorities decided to ignore this for a certain time period.

Senator D'AMATO. Mr. Chairman, on the question of the dealings with the Cubans, I would like to ask Mr. Blandon if he might go into some detail as it related to another transaction or series of transactions which he had personally with General Noriega and with Fidel Castro.

Mr. Blandon last month, in speaking to my staff and in speaking to me, recounted a rather chilling tale that goes right to the essence of the power of the drug cartel from Colombia in which Mr. Blandon was dispensed as an emissary on the part of General Noriega, and a whole subject area came up dealing with this area.

I am wondering, Mr. Blandon, if you might touch on this. That was in about 1984; is that true?

Mr. BLANDON. That is right.

Senator KERRY. I was just going to ask, Senator, if he did not mind, and if he has a time problem I am happy to go into that at this point.

What I was trying to do, we are almost at the completion of the businesses, and then we were going to try to do the gunrunning in one piece, the drug smuggling, and that would bring us into the Cuban contact.

If you want to do it now, I am happy to do it, but I think it would be easier for everybody to follow because there is a context to the whole development of the cartel piece.

We will do whatever the Senator wants, but I think it would be easier to do it the other way.

Senator D'AMATO. Fine. I just think, really, when we talk about this whole area that that is an indispensable ingredient so that one gets the flavor of just how involved Castro, the Colombians, the drug dealing, and Noriega really are.

Senator **Kerry**. I tell you what we will do. Let us do it this way. If we just finish up quickly with a few businesses, we can come back to some of the descripitions, because I think it is very important to show the scope and the detail of this witness' knowledge.

Then we will go into the drug running ahead of the guns, and that way we can jump to it pretty quickly.

Senator **D'Amato**. Thank you, Mr. Chairman.

Senator **Kerry**. Maybe we can do it a little faster on the businesses and get a scope. I do not mean faster speaking. I mean we will go to the areas faster.

In addition to what you just described, was there a company in the free zone that had to pay a tax to Noriega?

Mr. **Blandon**. Transit S.A. That is a company. Transit S.A. It is a company that Carlos Duque is the general manager.

Senator **Kerry**. That company would specifically do what? Where would the tax come from?

Mr. **Blandon**. From the other companies that work in the free zone. They have to pay this company, and this money Carlos Duque returned to Noriega. This is the money that Noriega used to pay all the Panamanian officers.

Senator **Kerry**. Was there a lover of Noriega who controlled all of government advertising?

Mr. **Blandon**. Yes. They control through a company named Arwell.

Senator **Kerry**. Can you spell that?

Mr. **Blandon**. I'm not sure about the company. Let me think about the company, where there's a company who has the control of all the government advertising. That's more than—they pay 50 percent of all the costs.

Senator **Kerry**. Fifty percent to?

Mr. **Blandon**. To this lady.

Senator **Kerry**. In addition, was there a company which controlled the export of leather?

Mr. **Blandon**. Yes.

Senator **Kerry**. That was controlled by whom?

Mr. **Blandon**. I don't know the person who controlled, but this is a business that Noriega had.

Senator **Kerry**. Control of all the duty-free airports of Panama?

Mr. **Blandon**. Yes, they have a company.

Senator **Kerry**. Also Noriega?

Mr. **Blandon**. Yes. There are two companies, Equipaje Acompanado and Licores de Tocuman.

Senator **Kerry**. Could you spell those for us, please?

Mr. **Blandon**. E-q-u-i-p-a-j-e A-c-o-m-p-a-n-a-d-o and L-i-c-o-r-e-s d-e T-o-c-u-m-a-n.

Senator **Kerry**. Was he the owner of TV–2, a television station?

Mr. **Blandon**. Yes. The owner has the shares, but the general manager again is Carlos Duque. And all the business that he has in the airports is duty free, as Bolimo De Castro and Deliano Mariano that work for Noriega, is an employee of Noriega. He paid for him, and he money is returned to him.

Senator **Kerry**. Investments in real estate?

Mr. **Blandon**. Well, you have to—in Panama since 1983, the investment in real estate made by the drug dealers and by Noriega is very high. Now, you have house building where the drug dealers are the owners. In Panama, we call it underground economy. A lot of money that goes into the system is illegal.

Senator **Kerry**. What about interest in Banco Cafetero?

Mr. **Blandon**. Noriega is the owner of the bank through other companies, through other persons. You'll never find Noriega in front of any of the companies. Always you'll find different persons, and when you have a problem with that person, that person will disappear or appear killed.

So, you will see that nobody will try to change that.

Senator **Kerry**. And the company with Herrera?

Mr. **Blandon**. What company?

Senator **Kerry**. Is there a company with Herrera?

Mr. **Blandon**. Herrera is the owner of the company. He works with Herrera, and Herrera has many investments in Panama, in real estate. Remember that he bought by illegal methods more than 40—more than 80 acres in area of Panama City by $2 million.

It is a very commercial relation with Noriega.

Senator **Kerry**. Does he own Ersa, the government newspaper chain?

Mr. **Blandon**. He controls Ersa. Ersa is a company that this company does not produce any revenue but has a control of the information of the papers and only publish when Noriega say.

Also, they prepare campaign against people that work in this Senate, and later on I will make some statement about that.

Senator **Kerry**. We will come back to that. What I want to do is try to do, because they get very complicated, I want to go through each area, and then this afternoon we will go into some of the intelligence connections, some of your dealings with Oliver North, the Southern Front and those portions of it. But I would like to just stay on the first track first if we can.

Explonsa, an explosive manufacturing company?

Mr. **Blandon**. Explonsa is a state company. It is different from the other companies. It is a company that is created by all and is a company that belongs to the Defense Force as an institution. It produces explosives.

Senator **Kerry**. Would a portion of the income go to Noriega?

Mr. **Blandon**. That company, they also don't produce any revenue, so you have only the—the Defense Forces have the control of that company. That is not a private company. It is principally regulated by law. You cannot say that is a business of Noriega, and also it doesn't produce any revenue so he is not interested in it.

Senator **Kerry**. Banco Patria?

Mr. **Blandon**. Banco Patria is a bank that Noriega announced just to have the support of the truths. You have to remember that all of these problems that Noriega has also has influence in the member of the Defense Forces, and he announced the creation of these banks to have money for the development house for the soil of Panama.

Because one of the problems Noriega has is with the life that he has with too many houses. The luxury life that he has in relation with the life that the soldier has is a great difference. So, he tried to have this bank to sell some public houses. But this bank he announced just 3 months ago.

Senator **Kerry**. I think it would be helpful if we went back into the simultaneous translation. I think we will have a bit easier time and be a little more precise as we go on here.

What I would like to do, Mr. Blandon, now, in response to Senator D'Amato's area of inquiry, is move into the question of drug smuggling, and then we can revisit some of these other details later.

When did General Noriega first go into the business of protecting and assisting drug smugglers?

Mr. **Blandon**. Well, there are two different operations. He first—he first began working with drug trafficking and later on began to protect drug traffickers. It's two different dealings at two different times.

As I said, after the gunrunning operations starting in 1982, they began using Floyd Carlton, and you will tomorrow be able to hear about this. So, they used Floyd Carlton, Cesar Rodriquez, and Enrique Pretelt as their channels or avenues to have access at the same time to the Medellin cartel.

Senator **Kerry**. Before he made this connection to the Medellin cartel, General Noriega had been involved with drugs back in the 1970's; had he not?

Mr. **Blandon**. Well, he was accused of that, but there was insufficient evidence at the time.

From 1970 to 1980, the Republic of Panama saw a fairly normal number of cases, and I say normal because Panama is one of the countries that is used for drug operations and, therefore, there was a substantial number of cases.

But the relationship between drug trafficking and the political life in Panama began in 1982 and culminated in 1984, when they came to control the political life of Panama totally.

So, during that time from 1982 onward, there was a beginning of these rights that were granted, the rights to land, for example, in Panama, this right that was granted to the drug dealers, and this developed up to 1983 when the Medellin cartel decided to diversify its center of operations.

And this began the process whereby they set up processing plants in Panama and particularly in the province of El Darien in La Palma. This is a province that is very close to the border with Colombia.

And that marked the beginning of the process through which I learned that this new relationship not only with drug dealers but also with international relations existed with drug traffickers over the years.

Senator **Kerry**. Was General Noriega paid in order to go into that relationship?

Mr. **Blandon**. I would like to refer to this document. I will ask you to please take this copy.

Senator **Kerry**. Are these photographs?

Mr. **Blandon**. Yes.

I should like to refer to the incident at the processing plant in Darien.

Senator **Kerry**. Before you do that, let me ask for an answer to the question I asked you about the relationship between the relationship between the cartel and Noriega. Was there a payment by the cartel to Noriega to give them this safe haven in Panama?

Mr. **Blandon**. Well, you're referring—well, two things happened at the same time. On May 6, the same day that they were holding the 1984 elections in Panama, the Medellin cartel came to a meeting in Panama, a meeting with former President Lopez Michelsen. And that meeting was called after the assassination of Minister of Justice of Colombia, Lara Bonilla, who was assassinated on May 1.

After the meeting, the group of drug traffickers, including Pablo Escobar Garilla, Jorje Vasquez, Favio Ochoa, stayed in Panama and they were protected by the Defense Forces of the Republic of Panama for a time ranging between 30 days or 7 months. That would depend on the drug trafficking operations.

So, that time during which they were given protection, Noriega—and here there are different versions. According to the version which I have, which is the version which was related to me by Noriega, though he did not give me the exact figures, he said that they were paying a high price. So, the price ranged between $4 and $7 million paid by the cartel in order to be given protection.

Senator **Kerry**. Now let me understand this correctly. General Noriega personally told you of this relationship and that they were paying a high price, he personally said that to you?

Mr. **Blandon**. Yes. I will explain exactly when——

Senator **Kerry**. Let me ask the staff here if they would get the pictures and bring them up here. These pictures are pictures that you had in your possession?

Mr. **Blandon**. Yes, those photographs were given to me by the Cuban intelligence services 3 months after that meeting took place. I had them in my custody.

Well, you can see that the photographs were copied from originals, which in turn had been touched up by the FBI because the originals were given by me to the grand jury in Miami. So, what you have in your hand is simply a copy that the FBI made from the originals because they had to prove that they were authentic.

Senator **Kerry**. These are photographs of you, of General Noriega with Fidel Castro, and pictures of you meeting with Fidel Castro and General Noriega. And this took place as a result of what happened with the Medellin cartel; is that correct?

Mr. **Blandon**. Well, that was the result of the operation which led to the closing down of the Darien processing plant by the Defense Forces. And the cartel, which had paid $5 million to set up the plant, saw that Noriega had betrayed the cartel.

So, on that basis, the Medellin cartel and Colonel Barbua planned to assassinate Noriega during one of his trips to Israel. When he returned from Israel, he called me to Panama and said that I should go to La Rina to meet with him there, and that in Havana——

Senator **Kerry**. Now, wait. Now, wait. We need to go through here a little bit more slowly and carefully. The processing plant at Darien was closed down in a raid; correct?

Mr. **Blandon**. That is correct, May 29, 1984.

Senator **Kerry**. And in that raid some 23 or 24 people were arrested; is that accurate?

Mr. **Blandon**. Correct.

Senator **Kerry**. One of the people arrested was a Lieutenant Melo?

Mr. **Blandon**. No. The colonel who was in charge of the operation, the link between the Defense Forces and the cartel in this specific case, was lieutenant colonel of the Defense Forces of Panama, and his name is Julian Melo Borbua. He was in charge of the deal and he received the money.

He was not captured there. He was captured in Paris when Noriega discovered—not Noriega, really. The person who discovered that there was this plot was the Israeli intelligence service.

You may ask why is the Israeli intelligence service involved? Well, because they assist Noriega when he goes to Europe. That is one of the services which Mike Herrara to Noriega.

They discovered this plot and Melo was sent back to Panama. Noriega goes on to Israel, he stays there 5 days. When he returns, he stops in London and he then calls me to Panama and had me go from Panama to Havana to discuss this problem.

At that time the information which we had in our hands in Panama was fairly incomplete. We did not know the reason behind this plot. So, I traveled to Havana on June 21 or 22,1984, so 21 or 22 days after the processing plant had been raided.

In Havana there was a meeting, a meeting which, you can see in the photograph, involving Fidel Castro, the President of Cuba, and the Panamanian delegation, including me and Admiral Camargo.

At that meeting, Fidel Castro told us what he knew about the case, and he told us—these are the words of Fidel Castro. He said that Melo had received $5 million from the Medellin cartel, especially from the Escobar group, and that of those $5 million—and this is Fidel Castro's version, what he told us—Melo had given Noriega $2 million, kept $1 million for himself, and $2 million were given to different officers or individuals involved in the operation.

And when the plant was raided, Melo informed the cartel that General Noriega had reneged on the deal and that, because of the pressures arising from the Lara Bonilla assassination—and remember what is happening in the political arena—Noriega decided to go and raid the plant because he knew where it was.

And the cartel felt it had been betrayed, and they planned this. So, Fidel recommends that we, or that Noriega, enter into a deal with the Medellin cartel. So, we asked him what type of deal would this be, and Fidel proposed that it should be a deal acceptable to the cartel, along the following lines:

That is, returning the $5 million, returning the machinery, because the plant was not destroyed, it was simply seized. And when I say the machinery, I mean that, well, you had an electric or a powerplant of 40 megawatts, there were other facilities. There was raw material, and by this I mean there was cocaine which was being processed and also ether, ether which is used to process and refine cocaine.

And in addition, he proposed that Colombia be given 23 prisoners detained in Panama at the time, as well as the helicopters and the planes which had been seized. So, you can imagine the size of this operation.

And he proposed that we use someone who was in Havana at that time, who would be authorized to conduct this operation. In the meantime, Noriega is still in London, on his way to New York.

Subsequently, I met with this emissary, who was a Colombian. Well, he never told me his name. And he explained to us, as Castro had, what the problem was, and he offers the same solution which had been put forth by Castro. His explanation was that they wanted no problems in Panama, they were businessmen; and that if Panama did not allow them to have the plant there, they would not create any problems because they had other operations in Panama.

Senator KERRY. Let me just interrupt you here. First, these two photographs are photographs of your first meeting with Fidel Castro; is that correct, when you went as an intermediary? Is that accurate?

Mr. BLANDON. Correct.

Senator KERRY. And who is this? This is you here?

Mr. BLANDON. Correct.

Senator KERRY. Who is this beside you?

Mr. BLANDON. Captain Camargo. He is a member of the Defense Forces of Panama.

Senator KERRY. And this second picture is you shaking hands with Fidel Castro. And who is to the left of you here, do you remember?

Mr. BLANDON. Captain Camargo.

Senator KERRY. Again. And this gentleman is who?

Mr. BLANDON. That is Commander Pineiro, in charge of the Latin American department and all the operations concerning Latin America.

Senator KERRY. Now, why would Fidel—what was in it for Fidel Castro to mediate a deal between the Medellin cartel and General Noriega? What was his interest?

Mr. BLANDON. Well, there were several reasons. First, you may recall that at that very same time we were negotiating in Cuba members of the cartel were present in Panama. There were more than 100 cartel members there, including bodyguards and other associates.

Second, Noriega was afraid of going back to Panama. That is why he sent me to Havana. He was afraid because the members of the cartel were there.

And as this was happening, the elections in Panama had just taken place and there was political unrest in the country. And that was the first time that a high-ranking officer was tied to the drug trafficking, and by this I'm referring to Colonel Melo.

Furthermore, the cartel was just beginning its operations, and if you look at their records you will see that as this operation was being conducted in Panama, that is the laboratory or processing plant for cocaine, at the same time they were beginning an operation in Nicaragua.

I think that there are several witnesses whom you could hear from. One is Carlton because he was his personal pilot when Escobar was in Panama, because he won Escobar's trust.

So, Fidel did have the comprehensive view of the problem, and at the same time you had the situation in Central America whereby the United States administration was developing its policy, and Fidel feared that Noriega would be replaced in Panama. In Fidel's head, and I think he was right in this, he believed that if Noriega and the group of officers working with him were to be eliminated from the Defense Forces, the illegal dealings he had with Panama would come to an end.

So, he was interested because his own interests in Panama were threatened. So, his interests were political, they were economic, and they were interests linked to a war which was being waged with the United States.

Senator **Kerry**. Now, you made an arrangement then with Fidel and the cartel; is that accurate?

Mr. **Blandon**. I listened to the proposal, and Fidel suggested that I hold a private meeting with Noriega. That is why when Noriega arrived in Havana 2 days after I had arrived, Fidel was not there to greet him personally. Rather, he arranged that General Noriega be received by Raoul Castro and by us.

And he told Raoul Castro to wait for a sign from me and that he should then withdraw from the house so that I could speak personally with Noriega, and that is what happened. I discussed the problem with Noriega not only as presented by Fidel Castro, but also the entire political situation in Panama.

And it is then that I explained to him the problem entailed by the presence of the Medellin cartel in Panama. I explained why this would give problems for us. And he said: "Well, they are paying a price."

And it is then that there was a meeting between Noriega and Castro, after I had explained to Noriega the situation. There was a meeting lasting 5 to 6 hours, and after it concluded Noriega told me aside and Castro, before leaving the house—it was 3 or 4 in the morning of June 27 or 28, 1984—that everything had been arranged and that they were going to proceed according to Castro's proposal.

But I forgot to mention an important fact. In my discussions with the intermediary from Colombia, he said that the 23 prisoners detained in Panama, well, that they were personally interested in one of them. It seems that it was someone who had accidentally been supervising the plant and was captured.

These 23 individuals, when the deal was made, as you look at all the background around the case, you will see that after we went back to Panama and Noriega made the final arrangements with the cartel, the cartel was given all the machinery, the helicopters, the airplanes, the prisoners, and 23 men having committed a crime in the Republic of Panama were not charged at all, and they were sent to Colombia.

And Colombia's legal excuse was that, since they had not been charged, they were Colombian nationals who were deported because they did not have any type of identification or documents, so Colombia could not try them and Panama did not make any charges.

And these were individuals captured in a cocaine processing plant, which is a crime in Panama or in any other country of the world. It is an illegal operation. And they were simply sent out of Panàma, and Col. Melo Barbua was set free.

So, the case was closed. And if you look at the reports of the Drug Enforcement Agency of the United States, you will see that that case was explained by the DEA as a case which showed General Noriega's cooperation with the fight against drug trafficking. That is how it is labeled in DEA documents.

So, Mr. Chairman, that is why I decided to go before the grand jury in Miami. I said and I now state it publicly, it is that I am personally concerned, because I was never questioned by any DEA agent. And I spoke at the time with the Prosecutor Gregory, whom I believe is a very good person, and I told him that I had information, written information about something which I thought showed that there was complicity on the part of Noriega with this operation, and that the DEA had certified that this same case was an example of Noriega's cooperation with the DEA.

Senator KERRY. If I can, I want to hold it up just a little here. The operation which was part of the seizure of the Darien processing plant was Operation Pisces; is that right? Was it part of that? Or that was at a different time?

Mr. BLANDON. No. Excuse me, the Pisces Operation was an operation that ended in May 1987. It was an operation that happened 3 years later to this problem that I am describing regarding the Darien processing plant.

Senator KERRY. We will come back to Pisces afterward.

With respect to the Darien raid, there was a letter written, was there not, commending General Noriega for participation? Do you remember seeing that?

Mr. BLANDON. No. In the reports I have read, in the DEA reports, that is mentioned. This case is mentioned as an example of cooperation.

So, what I am saying is, if that's an example of cooperation then this world is upside down.

Senator D'AMATO. Mr. Chairman, if Mr. Blandon would go back to the meetings that he personally attended with General Noriega and Fidel Castro, because I found it quite chilling. And as a matter of fact, it was after Mr. Blandon recounted that that we suggested to the Justice Department they provide him with the protection that he now has.

Did there come a time that Noriega met with Fidel? Indeed, was the money paid back, the $5 million? You have mentioned that the prisoners were released.

And what did Castro do? Didn't Castro provide a bodyguard or a unit to go back to Panama with Noriega, to be certain that he would be protected? I think if you can explain what happened, that would be very interesting.

Mr. BLANDON. During the negotiation, we included the return of the $5 million that the Medellin cartel had paid Panama. That was part of the deal.

Two weeks later, in speaking with Noriega on everything that had happened, he said to me that everything had been returned. He didn't say how much money, but I assume that it was the $5 million because that was part of the deal. These people are very careful when it comes to these kind of deals.

When we returned to Panama, as I said, the country's political situation was quite difficult and delicate, because that was happening only 1 month after the elections. The opposition was in political upheaval because they alleged that the results of the elections were false, that is there was fraud, and in addition, a high military officer of the Defense Forces had been involved in drug trafficking.

So, when we went back, there was an electroplane. There were only 8 or 10 of us. The Cubans provided a unit for personal protection in the plane, that was coming in the plane to protect us when we arrived in Panama. But when we arrived there was no problem.

And Noriega held a press conference to the Panamanian Armed Forces and invented by saying that there was a woman from Rotterdam who had been trafficking in ether, and the only woman from Rotterdam who was trafficking with ether is Major Marien, who is not a woman, he's a man.

Senator D'AMATO. Were there some 40 troops that accompanied you back, an elite guard that Castro maintained?

Mr. BLANDON. There were less. I think there were about 25 expert people in protection.

Senator D'AMATO. Mr. Blandon, when you were speaking to me you related also a conversation that you had with Castro and Noriega as it related to drug dealing. And Castro went into an oration as to why he was involved. You at first were rather taken back by this whole thing about the drugs and the payment of the $5 million and Fidel Castro's intervention, because as I recall you did not even initially want to carry that message.

But it was Mr. Castro himself that insisted that you carry this message back to Noriega. Would you, for the public and the committee, give us what Castro said—how he justified the drug trafficking and the support of it, and what he, as he related it to you, what he was doing, his activities?

I know there is a liaison with the Medellin cartel. There's a certain ambassador to Colombia who is the key contact. Would you touch on some of those things?

Mr. BLANDON. If you look at the chart which says International Network, you will see that in 1984 there were operations that were being carried out simultaneously in Panama, Nicaragua, and Colombia.

I suggest that when you speak to Carlton tomorrow that you ask him about his trips to Nicaragua and Richard Bilonick's trips to Nicaragua when he took money in cash to pay in Nicaragua to Nicaraguan leaders who were never specified.

But the fact is that Cuba had an Ambassador Ravelo in Colombia who was the contact between the guerrilla movement, the M-19 and the drug movement.

Fidel Castro's theory with regard to this aspect is that Colombia's political world, that if you want to have an influence on Colombia's political world, you have to have an influence on the drug trafficking world, too.

Unfortunately for Colombia and for us, they are power that is much greater than we who are sitting here can imagine. They have exactly that type of relationship.

Part of the surprise that through Panama we are going to the M-19 movement, we are part of the operation that is known in Colombia as drug trafficking and terrorism; that is, that there is a relationship between terrorist groups and drug trafficking.

And these are two groups, then, that act simultaneously from an operational point of view. This is different from the national liberation movement that are not connected to drug trafficking, such as the movement in El Salvador, for instance. There is no evidence, at least that we have, that the Salvadoran guerrilla has anything to do with drug traffic, and there is no evidence of that.

But in the case of Colombia there is a link between drug trafficking and the guerrilla movement, and part of their coordination movement is done by the Latin American Department of the Communist Party of Cuba led by Piniero.

Gentlemen, in the pictures I gave you you will see that one of the people showing up in the meetings is Piniero, the one who is next to Fidel. And if you look at the Panamanian delegation which was with Noriega, in addition to——

Senator KERRY. I wanted to identify them. This is the second meeting; correct, with Fidel Castro?

Mr. BLANDON. Correct. The one on the left is Noriega.

Senator KERRY. General Noriega is here standing beside and talking to Castro; is that correct?

Mr. BLANDON. Yes.

Senator KERRY. This is, who, the gentleman with the beard?

Mr. BLANDON. That is Piniero, who is called Barba Roja, the red-bearded one.

Senator KERRY. And the man over here with the dark glasses?

Mr. BLANDON. That is the Ambassador at that time to Cuba and Panama, and the one next to him is Maj. Luis Del Cid, who was responsible for the operation between——

Senator KERRY. That is Maj. Luis Del Cid, who was indicated in the Miami indictments the other day?

Mr. BLANDON. Correct. If you look at the other picture where we have——

Senator KERRY. The other picture is at the same house; correct? This is at the same time, and this is you present at this meeting?

Mr. BLANDON. Correct.

Senator KERRY. Talking to Fidel, and the other people are identified as who?

Mr. BLANDON. Yes, that is what I wanted to show you. The one you are showing with a pencil is Pretelt, that one.

Senator KERRY. Who is Pretelt?

Mr. BLANDON. He is in charge of the air force.

If you look in the middle between Captain Camargo, the tall one, there's Pretelt.

Senator KERRY. That is Pretelt.

Mr. BLANDON. No, the tall one is Camargo, Pretelt is the short one who is between the two tall ones.

Pretelt, yes, that one, is the key man of Noriega that is linked to drug trafficking and money laundering. You will remember that intelligence statements, he said that it was Pretelt and Cesar Rodriquez who received them at the airport. See the coincidence?

Those were two at that point with Noriega, who was coming back from Israel, was the team linked to Noriega regarding the drug trafficking problem.

Senator KERRY. This gentleman here that you identified in the first picture.

Mr. **Blandon**. Is Piniero.

Senator **Kerry**. Was he at the second meeting, also?

Mr. **Blandon**. That is Manuel Piniero. He is the head——

Senator D'**Amato**. He is the head link, is that right, in the South American trafficking for the Communist Party and the movement of Fidel set up down there?

Mr. **Blandon**. Well, he is the head of coordination for all subversive movements in Latin America. That is his job, and he controls Ravelo, who is the link in Colombia.

And Ravelo travels to Panama very often, and that is the group which deals with Noriega as officers who are in charge of those operations and, in turn, the group which works with a group in Nicaragua with the same types of dealings and with Colombia.

Senator D'**Amato**. Are you saying that as the operation in Colombia goes, as it relates to the revolution, you indicated the movement of the drugs and the money, that substantial segments of that money then goes to finance that guerrilla operation?

Mr. **Blandon**. Yes, that is correct.

Senator D'**Amato**. Did you have a conversation with Fidel Castro, wherein he indicated to you, in addition to what you have outlined in these charts, what he was doing and how he felt justified in actually being part and parcel of the drug operation as it related to the United States and to these other countries?

Mr. **Blandon**. Well, Fidel's view of the situation at the time was that the war in Central America waged by the United States made it easier or at least gave him the moral justification to do anything against the United States, anything that was necessary.

But there is a fact that I wish to point out as regards this international network and Panama. As you may see, the Republic of Panama was converted into a huge empire in order to commit certain crimes, and it was part of a general project in the hands of Colombia drug traffickers.

This project aims to penetrate other countries like Nicaragua and other armed forces such as those as in Honduras, and I draw your attention to this, Senators, because Ortula was captured in Colombia in a vehicle of one of the high-ranking officers of the Nicaraguan Army.

And only 2 or 3 months ago there was a large shipment which was hidden in lumber exported from Honduras to the United States was seized in Miami.

This international network has been able to penetrate the Central American armed forces, and, because of this, security problems and problems affecting the democracies in Latin America, especially in Central America, are jeopardized.

In saying this, I'm trying to say very clearly that for us Panamanians, as I said in my opening statement, the dismantling of this criminal empire, which is not going to be easy for the people of Panama, a people which has no weapons that is paralyzed in the face of this criminal empire which is going to do everything possible to stay in power.

So, we don't think that this responsibility should rest entirely on us. I think the United States and the countries of Latin America should share this responsibility.

I mentioned that we Panamanians are requesting that a meeting be held with the President of Colombia, President Barco, so that with his ministers in the areas of intelligence and defense we can sit down to discuss the facts of this problem in both Panama and Colombia.

We think the President of Colombia should be deeply concerned by the fact that this international network exists, and it makes it possible for moneys to flow from Colombia to Panama and vice versa, something which has deeply changed the institutional life in Panama.

You know what happened with the Medellin cartel and Mr. Ordo, who was assassinated recently, and there have been many assassinations, even those of the magistrates of Colombia and the Port of Justice.

Drug traffickers working together with the guerrillas were able to take hold and destroy all the records of drug traffickers who had been charged in Colombia.

So, the Republic of Panama is facing a very deep problem, and the United States should also face the same problem. Perhaps because of a political mistake, the United States concentrated its rapport with Panama exclusively with General Noriega, and many United States agencies have drafted reports commending Noriega.

The problem which has arisen from this is that in Panama we have the impression that the United States supports Noriega and his operations.

So, for those of us who have a strategic resource in the Panama Canal, a resource which is of interest to the United States and to the rest of the world because you can imagine the repercussions which Noriega's indictment has had on the world market.

All investments, all possible investments in Panama have been paralyzed. Furthermore, countries which use the canal regularly are now concerned with its future.

So, to solve the problems affecting the democracies in the region and returning the canal to the Panamanians, this problem needs to be addressed. In order for the canal to come back to Panama, we have to destroy this incredible empire and this international network.

One last point. Panama in the forthcoming months must submit to the United States Senate the name and background of future manager of the Panama Canal.

My question is this. Will the U.S. Senate, will the U.S. Government support a Panamanian who is part of the government which is controlled by this international network? That is a very, very deep problem, and we Panamanians are addressing this problem because we have made significant efforts to address it and redress it.

That is one of the reasons why I am here before you today.

Senator KERRY. Mr. Blandon, thank you. That carries us further in a sense than we wanted to go at this moment, but we are going to break in a second.

I would like to enter into the record the first two pictures of the first trip as one set of exhibits. I think we are at exhibit 6 or 7, and then the second two pictures of the subsequent visit with General Noriega as the seventh or eighth exhibit.

[The information referred to appears in the appendix.]

Senator KERRY. In addition, let me just clarify so that we summarize what you said.

Fidel Castro needed Panama as a window or as an opportunity for business in order to get Western technology and in order to export some of his goods from Cuba, and that is one of the reasons it was critical to him to have a relationship.

Is that accurate?

Mr. BLANDON. Yes, it is one of the reasons. The other reason is also political.

Senator KERRY. Agreed, the other is political.

Now, this happened at the same time in 1984 when Noriega cut a deal with Castro with the Medellin cartel at the same time as Noriega was working for the CIA.

Is that accurate?

Mr. BLANDON. Yes, and later on I will explain how Noriega was working with the counterrevolution and how he was meeting with Salvadorean officials and was giving information to the guerrillas and then back to the Salvadorean officers.

Senator KERRY. Agreed. We are going to come to that later.

It is almost exactly 11:15 a.m. We said we would take a break now. We will do so for 15 minutes and reconvene at 11:30 a.m.

We stand in recess until 11:30 a.m.

[Recess.]

Senator KERRY. Mr. Blandon, before the recess, you were telling us about the nature of the Medellin cartel's relationship with General Noriega. You were telling us of your meeting in Cuba in 1984. I would just like to tie together some details if I can.

You mentioned that the Colombians again sought protection in Panama after the assassination of the justice minister and that they paid for that protection.

While they were in Panama, did they make other arrangements for the shipment of drugs themselves? Was there an agreement as to how drugs would move through Panama?

Mr. BLANDON. In May 1984 when the cartel was present in Panama, arrangements were made to transport cocaine to the United States. They were going to use Richard Bilonick.

Richard Bilonick is a pilot who at the time owned a company, an air transport company called Inner Ear.

You may recall that around June 15, 1984, a shipment of more than 1.2 kilos, 1,200 kilos of cocaine was captured by Miami authorities. The cocaine was contained in containers in an Inner Ear plane.

Those arrangements to transport the drugs at that time were made in Panama, and Carlton could also provide you with more detailed information on this.

I would also like to point out that as a result of the operations being conducted in Panama under this group of both civilians and military officers, other operations began that were outside of Noriega's control. They were specially headed by Cesar Rodriquez, one of the people who created problems for Noriega because of his lifestyle.

Rodriquez is a man who likes to flaunt his wealth, and he purchased homes right next door to Noriega, a home that was worth

$1.2 million. He owns limousines that are very expensive. He has jets. He also has private clubs.

Senator KERRY. Well, he used to have; correct?

Mr. BLANDON. Yes. He used to have, because he is now dead.

Senator KERRY. Those are in the possession of who, now? All those possessions he had, the airplanes, the cars, et cetera, who has those now?

Mr. BLANDON. General Noriega. General Noriega.

Senator KERRY. Were you present with General Noriega at his house when he expressed embarrassment about Cesar Rodriquez having this home next door?

Mr. BLANDON. Yes, that is true. We had a meeting in his home to discuss the political situation in Panama, and one of the things——

Senator KERRY. When was this meeting?

Mr. BLANDON. In 1985.

One of the things that concerned him the most was the fact that Rodriquez had purchased that home one block away from Noriega's house. And in my presence, Noriega called Cesar Rodriquez and told him to sell the house, and Rodriquez did so because Noriega had told him that he would like to run for president in the 1989 elections and said that as general and future president of the country, he had to care for his image and insist that Rodriquez's presence, someone known in Panama as a drug trafficker, it was no secret even up to his death.

It was known that he was involved in drug trafficking. General Noriega requested that he do so, and he did, and when he made—when Noriega made that phone call—this came after Spadafora was assassinated, but during rather the call he—or rather he told Maj. Luis Del Cid that if Cesar Rodriquez continued to flaunt his wealth and that if he continued to try to openly show that he had millions of dollars in his hand that he would end up just as Spadafora did. He would be beheaded.

This was in October 1985, and in March 1986 Cesar Rodriquez and Rubin Dalio Pararez, Jr. were found assassinated in Colombia.

Senator KERRY. Now, before we go too far afield, I want to come back to the question of the arrangements with the cartel. You said there was a special arrangement made for the transport of cocaine through Panama; is that accurate?

Mr. BLANDON. Yes.

Senator KERRY. Noriega made this agreement with the cartel?

Mr. BLANDON. Yes. Working through several pilots. He had different arrangements.

Senator KERRY. He did this even at the time that he was being both congratulated as well as pushed by American authorities to do something about the drug situation? Is that accurate?

Mr. BLANDON. Well, I don't know of any type of pressures by the U.S. authorities on Noriega. I know they did commend him in letters.

Senator KERRY. Would you clarify, then, for us why the processing plant in Darien was raided in the first place? Why did that raid take place?

Mr. BLANDON. Well, that is the key point. When the raid occurred, the pressure was the result of the assassination of a Colombian minister of justice. That was what led to this situation in

Panama and Colombia, became publicly known that the cartel was present in Panama and this forced Noriega to take measures.

It was not pressure from the U.S. authorities. It was pressures resulting from the political situation in Colombia and the political situation in Panama.

You must note on the very same day that——

Senator KERRY. This was at the time of the elections in 1984 with Nicky Barletta; correct?

Mr. BLANDON. The very same day elections were held, the Mafia held its meeting, or the cartel held its meeting. On the same Sunday that Panamanian citizens were going to the polls, the Medellin cartel was meeting, protected by the Defense Forces of Panama, the very same day; Sunday, May, 6, 1984.

Senator KERRY. Now, yesterday we heard some evidence about Eastern Airlines and the airport.

Are you familiar with drug operations that went on at the airport in Panama City?

Mr. BLANDON. Throughout this period, Mr. Chairman, the money laundering operations grew. So, it is said that the network of pilots working under Noriega were used by the airlines such as the one which you have mentioned, and the airplanes owned by the Defense Forces of Panama were also used.

You may recall Kalish's statement in which he said how a plane was procured from the Defense Forces to be used for this very same purpose.

In 1983, on a trip to Managua Cesar Rodriquez was pilot of the plane, and the copilot was Pretelt, and they left me and another officer in Nicaragua, whom the other officer I will not mention because this could endanger his life, but I did mention his name during private meetings, and I did mention him also to the grand jury.

So, they left us in Managua, and Cesar Rodriquez continued on to Miami. The next day he picked us up on his way back to Panama, and on the plane on the way to Panama—the plane was a Lear jet which was registered in the States because all the planes that Noriega and Rodriquez have are registered in the States.

So, on the airplane, Cesar Rodriquez was talking to us, telling us that they had had a great operation, and he showed us suitcases full of money. He said that the money was a result of an operation which was in Miami and that they were bringing more than $2 billion, and he said that the old man knew about it. He called Noriega the old man.

When we arrived in Panama at the Pitiga Airport, there were armored cars, and this, by the way, is a new activity in Panama which started in 1983. Given the movement of cash from one airport to anther, one of the services which Rodriquez and Pretelt began to sell to the money launderers was that of providing an armored car to pick them up.

No one looked at our luggage, although we were coming from an international trip.

I explained to Noriega the seriousness of the problem, and his answer was that is part of Cesar Rodriquez' madness.

So, all this process not only was using the airlines as mentioned, and this led to a scandal in Panama, the fact that that same airline was being used, and it led to the fact that in the future years, subsequent years, that airline was scrutinized more carefully.

So, these commercial airlines were being used to bring cash into Panama.

Senator KERRY. Was the Eastern station chief in Panama on Noriega's payroll?

Mr. BLANDON. I cannot answer that question, Senator. I do not have information to that effect.

Senator KERRY. Now, can you identify George Novey III, for us?

Mr. BLANDON. George Novey is a Panamanian pilot who owns an airline which operated in Panama, in Contadora and now is in Costa Rica and is tied to money laundering and drug trafficking with the Pretelt group.

Senator KERRY. Does he own an island?

Mr. BLANDON. I have heard it said, but I don't know.

Senator D'AMATO. Thank you, Mr. Chairman.

Along the lines of the money laundering, et cetera, Mr. Blandon, you mentioned that on this one occasion there was some $2 billion that was being laundered? Is that right, on this one occasion?

Mr. BLANDON. No, $2 million. Correct, Senator.

Senator D'AMATO. Let me ask you this. Are you aware of what the fee arrangement is for the money laundering? Did you ever gain any information as to what percentage they took from the billions of dollars that were laundered?

Mr. BLANDON. I don't have specific information, but I have talked to people about it, and the range—really, it depends on the amount being laundered. The larger the amount, the higher the—the smaller the percentage. Sorry.

Senator D'AMATO. Let me ask you this. One of the reasons that the Drug Enforcement Agency gives to explain how Noriega cooperated with the United States is Operation Pisces.

What is your opinion of that Operation Pisces and, to your knowledge, were any Panamanians arrested? If they were arrested, were they prosecuted? What was the outcome?

Mr. BLANDON. The Republic of Panama, as far as I can recall, has never tried anyone on drug charges.

The Pisces Operation as a whole as I know it is an operation which, given the magnitude of the problem in Panama, could seem to be a joke.

During the operation itself when we looked at the—or the accounts of certain banks were examined, funds were frozen to the tune of $18 million in certain accounts.

If you think that this is a multimillion dollar operation, $18 million are simply pennies. But on top of that, those $18 million have not been tied directly to any type of criminal activity.

The problem was that toward the end of 1986, Panama presented a law to reform the banking system and provide access, and this is another thing which has been viewed as cooperation against drug trafficking and which, in my view, doesn't provide a solution to the problem. It doesn't stop money laundering.

I think that there are better ways to solve the problem; but, in any event, the law was passed. But the operation that was called for May and which led to the capturing of several drug dealers in the States did not affect anyone in Panama.

So, the Pisces Operation did lead to the capture in Miami and L.A. of several individuals, but, in my view, the operation was too premature, and I have a political explanation for this.

I think that Attorney General Meese needed to have one success in the fight against drug trafficking. You may recall that at the time there were accusations in the States. Be they true or false, that is not for me to say. But the operation was termed a great operation in Panama.

And the Attorney General came to Panama and found that no one had been detained in Panama. And we wonder, well, why wasn't Pretelt investigated and why wasn't Krupnick investigated and why wasn't Wittgreen investigated and why wasn't Novey investigated and why was the ICCB Bank not investigated?

If the operation was targeted to stopping money laundering, there were sources that could have been stomped.

Senator D'AMATO. Did there come a time when you spoke to an American law enforcement agent, a drug agent, and he characterized the operation as a joke?

Mr. BLANDON. In Miami. When I gave my testimony, a D.A. agent told me—well, first, he asked my opinion, and then he said I agree with you that it was, indeed, a joke.

Senator D'AMATO. Thank you, Mr. Chairman.

I just think it is important that we get out on the record that the one supposed success that we had had rather limited impact, a very, very limited impact on the international drug dealing; that, indeed, it could be used as a cover so that it could be cited by both the Panamanian law enforcement officials and Noriega, who cites it today as an example of cooperation.

It was kind of an insurance policy and, if anything, those who did not cooperate with him helped pay the premium. But he certainly should not be known as someone fighting the drug problem when he is at the core of it.

Senator KERRY. Senator, I agree completely, and I thank you for bringing that up.

Since it is up now, let me just ask that a letter to General Noriega from Jack Lawn, the Administrative D.A., will be made a part of the record. I believe it is Exhibit No. 8. This is a letter of congratulations for his participation in Pisces.

[The information referred to appears in the appendix.]

Senator KERRY. There is also a press release from the Attorney General of the United States dated May 5, 1987, in which he says about the Panamanian action, "Their actions send a clear signal to drug traffickers that under its new antimoney laundering statute, Panama will not tolerate these activities by drug traffickers."

Is that accurate, Mr. Blandon? Were drug laundering activities at all affected by Pisces?

Mr. BLANDON. I don't think so.

Senator KERRY. That will be made a part of the record, also.

[The information referred to appears in the appendix.]

Senator KERRY. We are going to come back to drug laundering in a second because I want to go through the process of how it has actually been carried out and how much money we are dealing with. First I want to finish a couple of things on the drug smuggling, if I can.

Did General Noriega meet personally with members of the Medellin cartel, specifically Ochoa and Escobar?

Mr. **Blandon**. I could not answer "Yes" to that question, because I have never been present at a meeting involving Ochoa or Escobar with Noriega. So, I do not have information to that effect.

The way Noriega usually operates with the cartel is through intermediaries or middlemen.

Senator **Kerry**. Was there a time when he traveled to Peru on an official visit and then he dropped out of sight for a period?

Mr. **Blandon**. In August 1985, General Noriega went to Peru on an official visit. He met with President Alan Garcia, and as part of the official agenda—there were 6 hours during which General Noriega disappeared.

Senator **Kerry**. That was August 1985? Is that accurate.

Mr. **Blandon**. Correct.

He returned to Panama on a Thursday, because on that day we met with former President Nikolas Radimeka, and on Saturday of that same week he left for Paris.

According to him, he was traveling to care for his personal health, and on September 13 Dr. Spadafora was assassinated.

Senator **Kerry**. Now, let me come back for a moment.

Norman Bailey, a former NSC staff member, said publicly that Noriega attended a meeting of major drug traffickers in Peru.

Do you know of that meeting?

Mr. **Blandon**. No, I don't know of a meeting. I only know that while he was in Peru, there were 6 hours during which he was not available for official matters, but I cannot say whether he met——

Senator **Kerry**. Or where he met or anything.

Now, Dr. Hugo Spadafora, who was Dr. Spadafora?

Mr. **Blandon**. Hugo Spadafora was a professional doctor in Panama. He and I grew up together in the same town.

Senator **Kerry**. Did he serve as Vice Minister of Health at some time?

Mr. **Blandon**. He was Vice Minister of Health under General Dorijos, and he left that position because he went to fight in Nicaragua for the Sandinista revolution.

After the revolution he returned, not because he had disagreements with the Sandinistas but because he felt that he had done his duty and he came back to Panama.

And he left a communications network with a group of pilots supporting the provision of weapons to Nicaragua for the Sandinistas; and that is Floyd Carlton, Cesar Rodriquez, and a group of Panamanian pilots also working in that connection. Watson was one of them. Esprua was another.

So, he had a very personal relationship with these people, and this is how this later became a business of drug running.

Spadafora became a very close friend of Floyd Carlton, and I should tell you about one incident which occurred precisely a few months before Spadafora was assassinated.

In 1985 there came a time when Carlton made a deal with the Cale cartel, not the Medellin cartel——

Senator **Kerry**. This is a competitive cartel; correct?

Mr. **Blandon** [continuing]. For cocaine trafficking.

I don't know if it is a competitive cartel, but it does—it's not the same one. It's one of several cartels.

And the drug being transported was lost, and the Cale cartel held Carlton accountable for that operation and sent a killer to Panama.

Senator **Kerry**. Now, this is where we get very complicated, because now you've brought up something I wasn't going to get into this afternoon.

Floyd Carlton made a deal with the Cale cartel, correct, his own operation? Is that accurate.

Mr. **Blandon**. Correct.

Senator **Kerry**. There was a shipment of drugs which got "lost." Is that accurate?

Mr. **Blandon**. Correct.

Senator **Kerry**. That shipment of drugs went to John Hull's ranch in Costa Rica. Is that accurate?

Mr. **Blandon**. Yes. Yes.

Senator **Kerry**. The Cale cartel kidnaped John Hull's daughter in order to try to get back at the dislocation of this shipment of drugs? Accurate?

Mr. **Blandon**. Yes, that is the information which we have. Yes, it is true. She was kidnaped.

Senator **Kerry**. The cartel then sent a hired killer to come after Floyd Carlton. Is that accurate?

Mr. **Blandon**. Yes, and his name is Alberto Aldimar.

Senator **Kerry**. Why not continue from there.

Mr. **Blandon**. Alberto Aldimar——

Senator **Kerry**. Let me come back just one second.

You know who John Hull is? Who is John Hull?

Mr. **Blandon**. John Hull is a United States citizen who owns a ranch of more than 10,00 hectares on the border between Costa Rica and Nicaragua, and, as he, himself, said, he was involved in the fight against Nicaragua. He, himself, has called himself the liaison or the link in providing supplies to the Contras.

All types of operations against the Republic of Nicaragua were organized from his ranch, and he personally has described himself as one of the individuals who helped to set up the Contra movement in Nicaragua.

And he is involved in any illegal activity you could dream of in Costa Rica.

Senator **Kerry**. Now, let me just stop you there for a minute.

You have personally met with John Hull. Is that accurate?

Mr. **Blandon**. Correct.

Senator **Kerry**. You met with him in San Jose?

Mr. **Blandon**. Correct.

Senator **Kerry**. For what purpose did you go meet with him, and when did you meet with him?

Mr. **Blandon**. John Hull is a key individual if you address any problem connected with a situation in Nicaragua and the Contras in Costa Rica.

At the time the U.S. administration was trying to give instructions to the Contras and Colonel North had thought that a single command could be established, and his intention was that Pastora be a part of that single command. But Pastora would not let anybody tell him what to do, and North and the CIA were having problems with Pastora because of that.

We personally, those who were involved in this area in Panama, opposed the Contra operations in general. Now, we'll later on explain why.

Our view was that an internal policy was needed in Nicaragua, and we intended to have Pastora go into Nicaragua as a political leader, agreed upon with the Sandinistas, so there would be an internal struggle within Nicaragua.

John Hull had a different idea. He felt the only way——

Senator KERRY. Who did John Hull work for? How did he come to be involved in this?

Mr. BLANDON. While he was a member of the private network that Secord, General Secord, had.

The entire problem involving the Contras——

Senator KERRY. Did he ever tell you that he was working for an agency of the United States?

Mr. BLANDON. Never.

Senator KERRY. Did you know him to be?

Mr. BLANDON. Well, the Contra operation in Central America is headed by the CIA and, therefore, I believe that he worked for the CIA. But I can explain later on my views on this point.

The fact was that when Alberto Aldimar came to Panama, coming back to Carlton, there was, let us say, a small war which began in Chiriqui, and Aldimar began to threaten and to attack citizens who were tied to Carlton. And under the protection of a major in charge of that area, Major Cordoba, they were using mechanical paddles, shovels rather, mechanical shovels, and they dug up Carlton's ranch, and this was something never seen before. They were looking for the cocaine in this manner.

And when Carlton left for Costa Rica—rather, he left Costa Rica and came to the United States for the first time—well, then he came back and was captured in 1986, but at that time Carlton spoke with Dr. Spadafora, and part of the operations which Carlton discussed with the United States authorities, and I had a chance to see these on the television very briefly. Others I know of because of my own personal knowledge of Cesar Rodriquez.

He explained to Spadafora the situation, and Spadafora, who was preparing a dosier against Noriega since 1980 when he was under Dorijos and then took note of the operations, and when Carlton went to the United States Spadafora called him on several occasions to ask him for specific dates of the trips that were being taken.

Spadafora made the mistake of publicly announcing that he was going back to Panama and that he was taking with him proof against Noriega, and he met with a member of the Tika intelligence and informed him about this.

Senator KERRY. He met with a member of the Costa Rican intelligence?

Mr. BLANDON. Correct.

Senator KERRY. Had Dr. Spadafora previously been public in his criticism of General Noriega?

Mr. BLANDON. On numerous occasions, and he was coming to Panama to publicly state—to publicly denounce what he knew about Noriega. He lived in Costa Rica, and the drug smuggling operations were based in Costa Rica. He knew of the activities in Chiriqui.

He also knew of Carlton's activities and Cesar Rodriguez' activities. So, there was a common thread linking all of these to Noriega.

Once he announced all of this, he was arrested in Chiriqui and was then assassinated. But on September 26, when Noriega, who was returning from France, arrived in New York, he asked me to meet him there. And I spoke with him in New York and I asked him directly, who killed Spadafora?

General Noriega's answer at the time was: "I didn't do it, but Mayor Cordoba did it." On my trip back to Panama, Noriega began to tell me about Spadafora.

Senator KERRY. Let me just be clear here again, so we clarify it. You were flying back in a private airplane from New York; correct? A private airplane?

Mr. BLANDON. I was in Panama.

Senator KERRY. But you met with General Noriega in New York?

Mr. BLANDON. Correct.

Senator KERRY. You then got onto a private aircraft in New York to fly back to Panama; correct?

Mr. BLANDON. I returned on a private plane from Panama to New York and returned on the same airplane to Panama.

Senator KERRY. That's what I'm saying. That aircraft was a U.S. Lear jet; was it not?

Mr. BLANDON. All the Lear jets which we use are registered in the States; yes, that is correct.

Senator KERRY. Was it a private jet or a military jet?

Mr. BLANDON. Private.

Senator KERRY. And it was just you and General Noriega flying back together?

Mr. BLANDON. No. On that trip from Panama to New York and then back from New York to Panama with Noriega, Mayor Garcia, who is Noriega's private physician was present, also Captain Camargo, who is an officer, and a barber, someone who shaves Noriega, who was taken from Panama to New York.

So, there were four of us and the pilots.

Senator KERRY. And you had a discussion in the aircraft during the 7 hours; is that correct?

Mr. BLANDON. First I had a private convesation with Noriega at the Henley Palace Hotel in New York. He had a suite there, a very large suite. And he and I met privately to discuss this problem.

And then afterward on the aircraft, we detailed the situation in Panama.

Senator KERRY. Please describe the conversation in the aircraft.

Mr. BLANDON. On the aircraft Noriega wanted to know what was happening in Panama, and especially he was interested in the developments regarding a witness whose name is Hoffman, a witness of German origin who appeared on Panamanian television saying that he knew who had killed Spadafora and publicly said that Spadafora had been killed by the FNLN of El Salvador.

But what had really happened, according to Noriega and Marien in conversations we had in Panama, Hoffman was a witness who was created by Noriega, and he was obtained through the CIA operating in Costa Rica.

Senator KERRY. Let me just clarify something. Is that the same Mr. Hoffman who worked with Joe Fernandez in San Jose?

Mr. BLANDON. Yes, he is a specialist in electronics and he worked for the CIA in some cases. Don't forget that at the time there was a clandestine operation against Nicaragua, and Hoffman came to Panama. But before coming to Panama, Marien had sent Domitilo Cordoba to Costa Rica, and he is the head of criminal investigation of the national investigation department of Panama.

And Domitilo Cordoba prepared the witness for his statements to be made in Panama, and he then introduced him to Colonal Diaz. And this was the beginning of an absurd farce, because it was clear that Hoffman had no idea of what had happened.

And when this concluded and the blame was laid on Diaz Herrera, Hoffman was taken by Marien himself outside of Panama, and the attorney general in Panama did not order to detain a witness or keep a witness who had all this information. So, he left Panama and disappeared from Panama's history. Nobody knows Hoffman's whereabouts.

So, Noriega was interested in this and he wanted to know what had been the reaction in Panama after his testimony and wanted to know what the political situation was like at the time. He wanted to know what had happened with the national movement that had arisen after Spadafora's assassination. That was our topic of conversation during the flight.

Senator KERRY. Did Noriega say anything else to you during that flight about the murder of Dr. Spadafora?

Mr. BLANDON. During the flight, or actually during the trip from the hotel to La Guardia Airport, which is where our plane was parked, he said that in any case Spadafora deserved to be dead.

What I just wanted to say was that the situation with Alberto—all of the situation that arose with Carlton was known by Dr. Spadafora.

Senator KERRY. Just one second.

Senator D'AMATO. Mr. Chairman.

Senator KERRY. Senator D'Amato.

Senator D'AMATO. In connection with this, the Spadafora situation, let me ask you, Mr. Blandon. The Panamanian people did not really accept this contrived account given by Hoffman, did they?

Mr. BLANDON. No.

Senator D'AMATO. And you advised Mr. Noriega of that; is that correct?

Mr. BLANDON. I told him nobody believed that story.

Senator D'AMATO. Let me ask you this. Shortly thereafter, about I guess in the same month of the murder of Dr. Spadafora, another incident took place, one which we have given very little weight to or account of publicity in this country.

And that was the resignation of Nicholas Barletta. In your opinion, was Nicholas Barletta forced to resign by Noriega? Was he fearful for his own personal well-being? And would you give to us an account of how the president was forced from office or why he did resign?

Mr. **Blandon**. President Barletta, who at that time had been already challenged by the country regardless and in addition to the Spadafora case, so his presidency was at peril, due mainly to his very little political ability. But when Spadafora was killed, Col. Diaz Herrera began a conspiracy to try to get Noriega out of power.

And he mixed in Barletta. He made him be somewhat involved, because Barletta is really not someone who is very politically skilled. So, he was somewhat, halfway involved in the conspiracy. And in politics, as in life, nobody can be halfway involved. Either you're in it or you're not in it.

As General Noriega used to say, "A woman can't be slightly pregnant. Either she is or she isn't."

And since this project by Diaz Herrera failed, Diaz Herrera began an operation to overthrow Barletta. Diaz Herrera also tried to cover up this conspiracy, because in addition Diaz Herrera knew because of the information he had received how the murder had occurred.

And Diaz Herrera's statements, of which I have a copy, those that are closest to reality are the statements he made with regard to Spadafora's murder and what happened subsequent to that.

And when we arrived in Panama on Wednesday at 11 p.m., a meeting had been organized by Diaz Herrera and the main leaders of the political parties where already a decision had been made that Barletta would have to leave. So, the pressure to ask Barletta was exerted by Diaz Herrera as a curtain to protect himself.

But Barletta as the president was practically discredited. His level of popularity in the country was absolutely nil because of how he had led the country in the previous 11 months. That's the real reason. Barletta did not resign because he wanted to. He was made to resign, and not because he had set up this investigation commission or not, because Barletta as a matter of fact had several and different positions during the last 6 days of his presidency.

He was overthrown as part of the coverup that Diaz Herrera was making in his plot against Noriega.

Senator **D'Amato**. Have the Panamanian Defense Forces removed other Panamanian presidents?

Mr. **Blandon**. In the last 3 years we have had five presidents.

Senator **D'Amato**. You are really in essence saying that the Panamanian Defense Force determines who will be the figurehead president.

Mr. **Blandon**. During the last few years, civil crises and changes of presidents have occurred in order to hide certain internal problems of the Defense Forces. Every time there has been a change in the presidency in the middle of a crisis, you know that something is happening internally.

For instance, in 1986 with the Delvalle government, when there was Noriega's pressure to change Delvalle's cabinet, already in 1986 the New York Times published statements against Noriega, its statements against Noriega, and Noriega wanted to weaken Delvalle's position and did so to the point that he made him want to renounce his presidency, by preventing him to develop his powers in the presidency, because there was this group that arose within the Defense Forces that tried to have the formal control of the Defense Forces.

Senator KERRY. You gave me time to think, Senator, and I appreciate that because I want to come back just to complete one of the stories that we didn't quite complete previously.

The assassin who was sent after Floyd Carlton; what was the end of the Floyd Carlton assassin story?

Mr. BLANDON. This is actually a very interesting case. Alberto Lemar, after having done his small war in Chiriqui, was captured by the major of that area, who at that time was Major Cordoba, and was sent without any kind of legal procedure, he was extradited to the United States for a payment that he received, which was of $60,000.

And he was extradited to the United States, and Alberto Lemar died.

Senator KERRY. Was he convicted? Was he imprisoned here in the United States?

Mr. BLANDON. I don't know what happened. I just know how it happened—he died trying to escape from a prison, and he died violently. You may know more than that than I do.

He was deported illegally from Panama, then he died.

Senator KERRY. But when he died he was in a prison in Texas; wasn't he?

Mr. BLANDON. Yes, as far as I know.

Senator KERRY. And he was trying to escape and he was killed?

Mr. BLANDON. Yes, he was killed.

He was a very violent man.

Senator KERRY. That's something we're going to try to follow up on.

Sebastian Gonzalez, do you know who he is?

Mr. BLANDON. Sebastian Gonzalez was a member of the National Liberation Front of the Sandinistas, called at the time of the front the southern front. Then he deserted together with Eden Pastora from the Sandinista front. He organized together with Eden Pastora and the Contras against the Sandinistas.

He worked and then divided or left Eden Pastora, then decided to work with drug trafficking. He was arrested in Costa Rica in a place called Riverieri for smuggling cocaine for about $200,000, and then mysteriously he was released and he is presently in the Republic of Panama working for the President of the Republic of Panama.

Senator KERRY. So, Gonzalez was originally part of the southern front, became involved in drug smuggling in Costa Rica; is that accurate, when he left?

Mr. BLANDON. That's correct.

Senator KERRY. And then received protection. Isn't he currently working for General Noriega, keeping General Noriega's horses?

Mr. BLANDON. No, he works with the horses of the president. But his political work is for General Noriega.

Senator KERRY. Thank you.

Senator D'AMATO. Mr. Chairman, I would like to get two quick things on the record because I think it's rather important.

Mr. Blandon, how many traffickers important to the Colombian cartel has Panama prosecuted and convicted, either Panamanians or Colombians?

Mr. BLANDON. None.

Senator D'AMATO. I think that is the test. There were absolutely no Colombians of any importance or Panamanian drug dealers of any importance who had ever been convicted or imprisoned as a result of these operations, Pisces or others.

Let me ask you something else——

Mr. BLANDON. I would like to explain what is the mechanism that they use. When a Colombian trafficker is detained, when it is tied to the cartel, they are retained, they appear in the papers, on television as prisoners. They are incarcerated and then when they are supposed to stand trial they have disappeared, because they have been freed.

That is the procedure.

In the case by the DEA, then they are extradited. And in the case of Baltimore, without going through the Panamanian legal procedures they are deported. That is the procedure used.

So, if you look at the cases in Panama, I cannot recall a single case of a Panamanian or Colombian who has stood trial.

After my statement, what Noriega has done is to instigate an investigation on me, when I have nothing to do with drug trafficking. Panamanian justice works in a strange way.

Senator D'AMATO. Mr. Blandon, I think this really is an area that we should get out on the table. The Drug Enforcement or DEA liaison, the person that we contact with Noriega, is someone by the name of Luis Quiel, Q-u-i-e-l; is that right?

Mr. BLANDON. That is right.

Senator D'AMATO. He is the liaison. He is the fellow who the Drug Enforcement Agency deals with, who actually is very close to Noriega; is that correct?

Mr. BLANDON. Correct.

Senator D'AMATO. He is Noriega's personal representative as it relates to these dealings with the law enforcement, with the Drug Enforcement Agency of the United States; is that right?

Mr. BLANDON. That's correct.

Senator D'AMATO. I just wanted to get that out on the record.

Now, let me ask you, is he involved in drug dealing and what kind of drug dealing is this DEA liaison, the official representative of Noriega, involved in?

Mr. BLANDON. Well, he's part of the group that deals with the Medellin cartel. You will find him in that group right there. Luis Quiel, is under Madrinan. He is not a career officer, in other words he has—it's called a captain. He began as an agent and, because of his dealings with drug trafficking, he is now in charge of controlling entry and exit of cartel members in Panama.

When they have a problem with someone who hasn't paid, then they turn them over to the DEA. So, their work is to keep the DEA happy, giving those people that they do not want.

And they usually turn in U.S. citizens involved in drug trafficking in the United States, those that the DEA has an interest in. For example, Reed is one case. Several cases were of interest to the DEA and they just turn these individuals in.

I think what the DEA wants is for Noriega to let them operate in Panama freely, violating the sovereignty of the country of Panama, because the fight against traffic does not imply working outside the national legal framework. That is what has allowed this network to be set up, the fact that allowance is made for an illegal network to operate.

Senator KERRY. Mr. Blandon, it appears that the cartel and General Noriega seem to know very, very well how to feed our criminal justice system just little bits to keep it happy, but nothing real.

Would you say that's a fair statement?

Mr. BLANDON. I would say that it goes even further than that, Senator. If you look at the control which the Medellin cartel exercises over our Defense Forces and everything they know about the psychology, aspirations and interests of the officers in Panama, they know much more than what the United States knows about Panama's Defense Forces or any of the defense forces in Latin America.

We have a phenomenon here whereby there is a multinational force being created, one that is headed by drug traffickers and which controls power over Central American states.

Senator KERRY. Well, that's certainly at the center of what these hearings are all about. It's something we're going to discuss further this afternoon. But I think it's very important in terms of some of the relationships that have occurred with terrorist groups and other groups. I want to hold some of that if we can, simply because I think it's critical to this process to have each enterprise and each entity that is involved thoroughly described and have this network thoroughly described, so that when somebody says threat or somebody talks about the extent that this is a problem, it's real and we have a foundation for it. And I think that's very important.

Senator D'AMATO. Mr. Chairman.

Senator KERRY. Yes.

Senator D'AMATO. If I might, and I think you made the point. I congratulate you because it's important that we let the American people know, the Congress know, the administration, exactly what's been taking place. This is a charade, a giant charade.

And as you've indicated and Mr. Blandon has expanded upon, this cartel understands the psychology of dealing, not only with the Panamanian Defense Forces, but certainly the political forces here in the United States. And they do, as you mentioned, just feed, when they have to, some crumbs, and most of them are people who haven't cooperated in their drug dealings.

I think, Mr. Chairman, one of the things I would hope that you and the ranking member would consider is calling the DEA in, if not during the scheduled proceedings that you have already set up, but certainly in the future. I think it's important.

I think that they should be asked to make an accounting and respond. And if indeed the situation has deteriorated to the extent that I believe it has, let's fess up, let's get it on the record.

And I would hope that they would be forthcoming. After all, it's rather difficult—I think Mr. Blandon would admit that himself—being a DEA agent in an environment where, my gosh, the army itself and those with the power are your enemy.

Who would want to be a DEA agent risking his life? And we have seen what's happened in certain areas down there.

But let's at least get it on the record. Let's at least recognize what the situation is. And I would hope you would consider that.

Senator **Kerry**. Well, I think more than consider it. I think you're right on target, Senator. We're going to do it.

For a long time, people haven't had a sense, really, of what's out there. The purpose of these first 3½ days of hearings is to paint the picture and to lay the factual foundation for the future inquiry. There is no question that DEA, Defense, State, our intelligence network, ought to be here.

They will be asked to be here. As the Foreign Relations committee staff knows, we are sandwiching these hearings in between the INF hearings. We have caught this week because it's a week we're not in session.

We have 3 days scheduled in March, we have 3 days scheduled in April. Part of the March hearings is geared to look at the relationship, particularly in Central America, of some of the private aid network and early allegations regarding Contras.

This inquiry began because of the initial information that we were learning about allegations about some Contras being involved. And we looked at that.

What we found, at first frankly not even believing it, at first saying, "No, this is too incredible, I don't believe that"—and then someone in another part of the country, in another place somewhere, would corroborate it, detail for detail.

And then suddenly we found the extent of what Mr. Blandon has said to us, the extent of what General Gorman said to us yesterday. It is a whole new force that has been created, the power of the narcodollar, that is buying countries, buying law enforcement agencies.

Senator **D'Amato**. Both sides of a revolution, too.

Senator **Kerry**. On both sides of revolutions, and altering the geopolitics in ways that we really have never had to deal with. This is new.

It's happening not just in Central America, it's happening in the Far East, it's happening in the Bekaa Valley. I've seen pictures, photographs of whole fields of poppies in the Bekaa Valley. And we don't have to ask a lot of questions about who draws their support from those proceeds.

We will hear testimony later today, Mr. Blandon will confirm it and others have already, that the M–19 terrorist organization, taking their profits—in fact, Mr. Blandon, you've made the comment to me. I'll ask you right now. Is it true or isn't it true that almost every political group, revolutionary or otherwise, has used the profits of narcotics to buy weapons and fund their operations? Is that true?

Mr. **Blandon**. In the case of Colombia; yes.

Senator **Kerry**. What about in the other parts of Central America? You said to me that this is normal, this is part of the business, drugs, guns, war. It's automatic, you're going to find these things. And you described some of the businesses that grew up around it.

Do you remember?

Mr. **Blandon**. Yes, in the case of Central America there are groups that do work with drugs also, groups operating in the armed movements and who also get their income from drugs.

Narcoterrorism is part of that same operation, both on the right and the left.

Senator **Kerry**. Is it not accurate that even in the days of Somoza, when people were operating out of those airstrips and running aircraft with clandestine weapons, that drugs found their way onto those aircraft? Is that accurate? This isn't new, in other words?

Mr. **Blandon**. The entire environment which is created by a process of insurrection using illegal means does allow for the setting up of other illegal activities, like drugs, prostitution, corruption, because there is cash money in circulation and there is no controls on it.

What the revolutionary process has been using is the narcodollar, the drug dollar, and that is how the drug traffickers have been able to penetrate those movements and penetrate those governments.

Senator **Kerry**. Let me go back, if I can, to try to complete. Well, I want to ask one other area that is a short, small area, and a very disturbing one. I almost find it hard to believe and I want to come at you with it, reminding you that you're under oath. We're here to tell the truth. You said you're going to tell the truth, and I know you have.

But I say that because this really—I think people are going to find this disturbing, and I'm not sure why or how it happens. You told me yesterday when we were talking that the CIA gave information to the Noriega government, the Panamanian Government officials, on U.S. Senators. Is that accurate? Is that true?

Mr. **Blandon**. As part of the political intelligence team in Panama, documents which were drafted in the area of political intelligence on individuals coming to Panama came to my hands, and the CIA did prepare reports.

Senator **Kerry**. Did the NSC also prepare reports?

Mr. **Blandon**. Yes.

Senator **Kerry**. Which you would receive?

Mr. **Blandon**. Yes, of course. Noriega got them and he would pass them on to us.

I recall, for example, a mission by Ms. Deborah DeMoss to Panama, and we received complete information——

Senator **Kerry**. Deborah DeMoss, for the record, is the staff member sitting beside me of Senator Helms.

Mr. **Blandon**. We had information on what the mission involved, the Members that were coming, what their positions were, what their attitude was toward Noriega. In the case of Ms. DeMoss, it was clearly said that she, according to the report, hated General Noriega.

We also had information from Senator Helms, of his activities.

Senator **Kerry**. About Senator Helms? You had information about Senator Helms.

Did you also have information about Senator Kennedy?

Mr. **Blandon**. Yes, also.

Senator **Kerry**. Can you describe that?

Mr. BLANDON. We had information to the effect, stating his political position and his own personal problems. We had all types of information on him.

Senator KERRY. And who provided you that information?

Mr. BLANDON. The information came to my hands through Panamanian intelligence. It was classified information coming from the United States.

Senator KERRY. Was the information from U.S. documents?

Mr. BLANDON. Yes, clearly.

Senator KERRY. Were they marked "classified"?

Mr. BLANDON. Yes, they were marked "classified."

Senator KERRY. Did you receive documents on any staff people of Senator Kennedy?

Mr. BLANDON. Yes.

Senator KERRY. On who?

Mr. BLANDON. Mr. Craig. I can't recall his exact name.

Senator KERRY. Mr. Gregg Craig?

Mr. BLANDON. Yes.

Senator KERRY. And do you recall any other documents besides those?

Mr. BLANDON. Yes, we also received information prepared by the La Rouche group, information on U.S. Senators.

Senator KERRY. Prepared by the Lyndon La Rouche group. Now, was this a special arrangement that Noriega had with Mr. La Rouche?

Mr. BLANDON. Mr. La Rouche works for Mr. Noriega. You may recall that there are books which describe the background. I have read a document on Mr. La Rouche which describes how Spadafora died and who could have killed him, and that is the G-2 official version.

And if you read that document, you will also find attacks on U.S. Senators.

I could not tell you what level of intelligence services prepared the documents, but I could tell you, and perhaps Ms. DeMoss could—when they arrived in Panama, we had the information and published in the papers before they arrived.

Senator KERRY. That's what I was about to get to. Well, before I ask that, did the information which you received sometimes include information on the personal lives of some of the individuals that you have named?

Mr. BLANDON. Yes.

Senator KERRY. I don't think it even needs words or explanation or anything else. I think it's something we ought to inquire about further. It's about as disturbing a revelation as I have heard in the course of a lot of disturbing revelations over the course of the last year and a half. We will see where it goes.

Mr. BLANDON. I can also give you something even more alarming, in our view.

Senator KERRY. I'm glad I asked the question.

Mr. BLANDON. I'm going to tell you this as we see it. As you know, we prepared a document on a political solution to the situation in Panama. One version of that document, a partial version, came to General Noriega's hands, and his public version of that was that it was given to him by somebody working for the U.S. Defense Department.

The problem, Senator, is that we are seeing that in the process which is this one there is no uniform policy within the U.S. Government, policy toward the problems which we in Central America face.

You will find that, whereas one U.S. agency is willing to behave in a certain fashion in one place, a different agency is working in exactly the opposite way. So, our experience has been that we're getting mixed signals that are governing the relationship between our countries.

There are people in the U.S. administration who still believe and still feel that the Manuel Antonio Noriega problem and his leaving the country is more damaging to the United States than his remaining in power. And there are people in the States who are personal friends of Noriega, such as Mr. Nestor Sanchez and other people, who work for Noriega——

Senator D'AMATO. Could you explain who Mr. Sanchez is for the record? I think that's rather important.

Mr. BLANDON. Nestor Sanchez is a U.S. public official who worked for the CIA and who was also a staff member of the Defense Department in the section for Latin American affairs.

Senator KERRY. Who worked through the 1970's and 1980's?

Mr. BLANDON. That's right.

Senator KERRY. He began a relationship with General Noriega in the seventies?

Mr. BLANDON. Yes, that is correct.

Senator D'AMATO. And his present position? Would you mention his present position again?

Mr. BLANDON. He is presently an advisor to the Department of Defense and also works for the Panama Canal Commission. And he can say that he is an expert on the Panama Defense Forces, and he is one who says that anything done against the Panama Defense Forces is an act against the U.S. Government.

I'm saying this because all of these contradictions and all of these different power plays affect both the leaders in the United States and in Panama. So, in each country, there is the impression that we're working with two types of government.

If you want to hear the opinion of the United States as a government, you need to speak to different agencies, and the summary is that there is no position.

Senator KERRY. Let's come back to Mr. Sanchez for a minute. Mr. Sanchez was working with the CIA and has a very close relationship with General Noriega; is that accurate?

Mr. BLANDON. Yes.

Senator KERRY. How close? Would you describe that? Beginning when?

Mr. BLANDON. I would say that it is a very close friendship.

Senator D'AMATO. Is he a business partner?

Mr. BLANDON. I have no evidence to that effect.

Senator D'AMATO. Have you heard that he is a business partner? Because when you talk about evidence as such, Mr. Noriega doesn't have written agreements with most of his partners, as you have indicated.

Has there been talk over a period of time that he has had business interests with Mr. Noriega, or does he have any businesses in Panama that you know of?

Mr. **Blandon**. Well, yes, there are rumors.

Senator **Kerry**. Let me see if I can go beyond the rumor issue here. When we talked previously, you told me that you were at an intelligence briefing and that an intelligence officer asserted that there was a real estate business relationship between Mr. Sanchez and General Noriega. Is that accurate?

Mr. **Blandon**. Yes, it is.

Senator **Kerry**. And this was Panamanian intelligence; is that correct?

Mr. **Blandon**. Yes. But for the record, I would like to say, I did not say that he had those business relationships.

Senator **Kerry**. I understand. You did not say it and you have no physical evidence here, and you have no personal knowledge other than the Panamanian intelligence briefing which you attended, at which you were told that relationship existed by the intelligence. Is that accurate?

Mr. **Blandon**. Yes.

Senator **Kerry**. But in any extent, with respect to knowledge of Noriega and his activities, Mr. Sanchez is very, very close; correct?

Mr. **Blandon**. Yes, it is.

Senator **Kerry**. While working for the CIA?

Mr. **Blandon**. Who works for the CIA?

Senator **Kerry**. Mr. Sanchez.

Mr. **Blandon**. Both of them work for the CIA.

Senator **Kerry**. I was just talking about Sanchez, but we'll take them hand in hand.

And that relationship began in the early 1970's; did it not?

Mr. **Blandon**. Correct, I would say in 1975, toward the middle of the year of the seventies and up until now.

Senator **Kerry**. Now, let me come back if I can. Senator, are you finished?

Senator **D'Amato**. Again, for the record, Mr. Sanchez' position at the present time is one of rather critical importance, in that he is one of the leading experts as it relates to our Defense Department and its posture and its treatment of Noriega and Panama.

And it might very well explain why they have had to be dragged kicking and screaming to the altar of at least neutrality, without embracing Noriega every day and indicating to the Panamanian people and to the Panamanian Defense Forces, which they have, in the past, that Noriega somehow is some wonderful person and the United States is still supporting him.

And so what they're doing is hurting the American cause. And then eventually, if this continues—and I hope it ceases—we will get the Panamanian people rallied up against the United States and Noriega.

And so I think Mr. Blandon makes a point. But this is an incredible situation, where we have got this fellow Sanchez, who is ready to embrace anybody who, in this case, is being held up as being anti-Communist. And my gosh, he will make a deal with anybody.

But that's why Sanchez is there, embracing his old buddy. And it's a very distressing situation.

Senator **Kerry**. Mr. Blandon, before we break, we haven't touched the money laundering yet, and I want to do that. We haven't touched the gunrunning. I want to do that. We also want to explore further your relationship with a number of American interests. "Your relationship," I mean General Noriega's and Panama's relationship with a number of American interests.

I think it's very important to the full telling of the story. We have about 10 minutes and we want to try to stay on schedule if we can, so I'd like you to complete some of the story that you were relating with respect to John Hull and the southern front, although I originally thought that would be later.

Let me come back to that for a minute. You originally met with John Hull in order to discuss Panamanian assistance of the Contras; is that accurate?

Mr. **Blandon**. No.

Senator **Kerry**. Would you tell me why it was you originally met with him?

Mr. **Blandon**. Because we wanted to discuss with him the role played by Pastora in the internal struggle within the country.

Senator **Kerry**. Who suggested that you go meet with John Hull? How did you pick him out?

Mr. **Blandon**. Danielle Oduber. He is vice president or former vice president of Costa Rica. He was also interested, as we were, in finding a political solution in Nicaragua, and he believed he could play a very important role.

Senator **Kerry**. When did this meeting with John Hull take place?

Mr. **Blandon**. In 1983.

Senator **Kerry**. Where did it take place?

Mr. **Blandon**. In San Jose.

Senator **Kerry**. What was the substance of that discussion?

Mr. **Blandon**. Well, we dealt with the political and military situation in Nicaragua and the way in which we viewed it. At the time, Hull was part of the operation for the establishment of the southern front, and his view was that we had to overthrow the Sandinistas militarily. So, that is what we discussed.

That was the gist of our discussions.

Senator **Kerry**. Did you meet with Mr. Rob Owen, at that time, sometime thereabouts?

Mr. **Blandon**. No, I never met with him. I saw him in 1984. On May 30, 1984, there was an attempt in La Penca against Pastora, and I saw him 2 or 3 days before that in San Jose.

Senator **Kerry**. There was an attempt on his life. That was the La Penca bombing?

Mr. **Blandon**. Correct.

Senator **Kerry**. You saw Rob Owen where?

Mr. **Blandon**. In San Jose.

Senator **Kerry**. Did you know what he was doing at that time? How did you happen to notice him? How did you know who he was?

Mr. **Blandon**. Everybody knows who he is in Central America. This, Senator, was an operation which was a secretly open operation.

Senator KERRY. How did you happen to know who Rob Owen was in particular?

Mr. BLANDON. I think I had received—let me think about that so that I can give you—well, let me write it down and I will answer it later, if possible.

Senator KERRY. Did you at that time have occasion to meet with a Wesley Jones?

Mr. BLANDON. I don't know anyone named Wesley Jones.

Senator KERRY. Was there any meeting with somebody in connection with the Lyndon La Rouche story, a person?

Mr. BLANDON. No. In New York, I was visited by Mario Panter, who is a member of a political group in Panama which came to the States to speak in favor of Lyndon La Rouche. And he spoke to me of La Rouche's role in connection with Panama, and said that he, Panter, met with La Rouche in Boston and then spoke to me in New York.

And that was last year. And it is that same young man—he is the same age I am—the same young man who was used by Noriega as a witness in a staff meeting which dealt with my activities in the United States. So, he is one of Noriega's links with Lyndon La Rouche. His name is Mario Panter.

Senator KERRY. Now, coming back to the meeting with John Hull, you said earlier that John Hull was involved in illegal activities. Can you provide further comment with respect to that?

Mr. BLANDON. Well, in my view the war against Nicaragua as waged by Costa Rica was an illegal activity. But on top of that, he also had communications, he had landing strips. All of these are illegal activities in a country that has declared itself neutral. These are all illegal activities.

Now, as far as his ideological thinking was concerned, it was not illegal. But from a legal standpoint, they are.

Part of my political concern as a leader of my country and as an expert on Central American problems is that the development of the process as it has been conducted has given rise to conditions that allow drug trafficking to penetrate all these organizations and to use all the infrastructure that has been set up to corrupt the leaders of our countries.

This is the point which which I would like to address in greater detail this afternoon, so that seeing this international network and seeing how all of this has evolved, you will be able, you the United States and its political leaders, be able to understand how serious the situation is, given your and our strategic interest in the region.

Senator KERRY. Let me tell you what we're going to do. I think that's a good note to break on. We are going to come back to the money laundering specifically. We're coming back to the drug running, the Pia Vesta incident, your meetings with Colonel North, and some of the other efforts that link us.

And then finally, we'll discuss more some of the international network.

We stand in recess until 2 o'clock.

[Whereupon, at 12:55 p.m., the subcommittee was recessed, to reconvene at 2:05 p.m. the same day.]

AFTERNOON SESSION

The subcommittee met, pursuant to notice, at 2:05 p.m. in room SH-216, Hart Senate Office Building, the Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senators Kerry and D'Amato.

Senator **Kerry**. The hearing will come to order.

Mr. Blandon, I remind you that you remain under oath, carrying through from the first session. And we will pick up where we left off.

I would like to clarify, if I may, one area of inquiry. Some members of the press after the first session inquired about the CIA documents, and I just want to make absolutely certain that we are clear, that we are all understanding precisely what is at issue here.

Now, it's my understanding, Mr. Blandon, that you received from the defense, military defense in Panama, documents. Is that accurate?

Mr. **Blandon** [through translator]. Yes, it is.

Senator **Kerry**. Those documents were marked "classified" by the Panamanian military? There was a classification on the packet of documents; is that accurate?

Mr. **Blandon**. Yes, classified by the Panamanian Defense Forces.

Senator **Kerry**. Within that packet were documents on the Senators that we have mentioned? This was at different times; is that accurate? You received—two different occasions that you received these documents on Senators, or was it on one occasion?

Mr. **Blandon**. Several times, more than two. Not only information on Senators, but about their staff members.

Senator **Kerry**. You said that this morning, I understand. And the pages on which the documents with the information regarding Senators and or staff was in English; correct?

Mr. **Blandon**. Yes.

Senator **Kerry**. And that page itself had a source marking on it; is that accurate?

Mr. **Blandon**. Yes. It is standard procedure for documents coming from the intelligence service of the Defense Forces to indicate on the bottom part of the document the source. Given that they may not say it on the top of the page, there is no seal from the agency, but an official representative signs the document on the bottom part of the page indicating its source.

Senator **Kerry**. The source markings on these documents were CIA; is that accurate?

Mr. **Blandon**. The Central Intelligence Agency in some cases and in other cases the National Security Council.

Senator **Kerry**. Were those documents themselves at any time marked "classified"?

Mr. **Blandon**. By whom?

Senator **Kerry**. By anybody.

Mr. **Blandon**. All documents which came into our hands in the political analysis of this, that is coming from the intelligence sources, came marked "classified." When it was military information, it was labeled "secret."

Senator **Kerry**. Thank you very much.

Now——

Mr. Blandon. To clarify, Senator, the political intelligence group which I headed were directly under the orders of the Defense Forces command. So, the documents came directly to us as part of standard procedure within the intelligence machinery in Panama.

Senator Kerry. And finally, you personally saw these documents? You actually read the documents with the information?

Mr. Blandon. Yes, I did.

Senator Kerry. Now, I would like to turn for a moment to the relationship between General Noriega and northern Costa Rica. How close was the relationship between General Noriega and former Costa Rican Security Minister Echevarria?

Mr. Blandon. Well, they were partners in drug trafficking activities—I'm sorry, arms trafficking activities.

Senator Kerry. What period of time were they partners?

Mr. Blandon. I'm referring to the time from 1980 to 1982.

Senator Kerry. Was Noriega literally able to give Echevarria orders, directions?

Mr. Blandon. Not only orders, but he also gave him money.

Senator Kerry. And did this mean that General Noriega could assure that there would be no police inspection at certain runways and certain airstrips in northern Costa Rica?

Mr. Blandon. Yes, it could mean that. And also, it could mean that the security——

Senator Kerry. Let me just interrupt you there. I don't know what it could mean. Did it mean that? Was that in fact what happened?

Mr. Blandon. Yes, that is correct.

Senator Kerry. And was that part of General Noriega's cooperative efforts with respect to the supply of Contras?

Mr. Blandon. During that time that is under question, these were arms being sent to El Salvador.

Senator Kerry. At a later time after that, specifically 1984 and 1985, were these same airstrips used with respect to the supply of the Contras?

Mr. Blandon. Do you mean the landing strips in Costa Rica?

Senator Kerry. Yes.

Mr. Blandon. In that case; yes.

Senator Kerry. Were the same strips used by drug traffickers?

Mr. Blandon. When I referred to the case of a cocaine shipment that was lost in 1985, perhaps pilot Carlton can give you further details, but in that case they were using airstrips in Costa Rica for drugs.

Why? Well, because the planes landed in Costa Rica and, just as it happens when they land in Panama, they conjure up a new flight plan coming from a country which the United States does not consider to be a dangerous country as far as drugs are concerned.

A flight plan from Costa Rica to Panama is less threatening than one from Colombia to the United States.

Senator Kerry. You mentioned the name of Guachan Gonzalez at the end and I just want to be sure that we're clear. Guachan Gonzalez was working with the southern front of the Contras; is that accurate?

Mr. **Blandon**. Yes, it is. Well, first he worked with the Sandinistas and then later with the Contras.

Senator **Kerry**. Correct, first with the Sandinistas, then he left them and went to the Contras. And at the end of that period, was there an incident you're aware of where drugs were used, the money, the proceeds, was used to support the Contras through Mr. Gonzalez?

Mr. **Blandon**. Yes. Yes, sir, that is correct. And that gave rise to a conversation with Gonzalez.

Senator **Kerry**. Which is part of what led to the Spadafora incident later, and I just want to clear this for the record.

Mr. **Blandon**. Yes.

Senator **Kerry**. Thank you.

Now, I would like to question: Did Eden Pastora know during that period of time that drug money was supporting that effort at all?

Mr. **Blandon**. Eden Pastora had problems in obtaining funds. At the times when I spoke with him, he knew that Gonzalez was involved in drug trafficking.

Senator **Kerry**. Let me just say for the record that there will be later significant additional testimony with respect to this. We are really laying a foundation for that, in March.

Now, if I can I would like to turn to money laundering. We haven't talked a lot about that at this point, and it is really central to the strength of the cartel and the deterioration of institutions in the region, and we want to talk about it.

When did Panama become a center for the laundering of drug money?

Mr. **Blandon**. The Panamanian financial sector, which offered incentives for the establishment of banks and financial investments in the country, uses several legal mechanisms which have been utilized by drug traffickers, making the center the base for the money laundering operations.

As I explained before, the cartel began to mobilize large amounts of funds to Panama starting in 1980.

Senator **Kerry**. Can you give us an idea of the size of funds in 1980 that might come through Panama?

Mr. **Blandon**. I cannot give you an idea, but perhaps Milian Rodriguez, who was one of those who began laundering large sums of money, could give you a better idea.

Senator **Kerry**. Well, while you mention the name of Milian Rodriguez, let's just identify him for the record. He will be testifying here on either late tomorrow afternoon or Thursday morning.

Who is Milian Rodriguez?

Mr. **Blandon**. Milian Rodriguez is a Cuban national living in Miami. He very often traveled to Panama and had business dealings with the Noriega group. He initially worked through Henry Ford and then worked directly with the banks selected for him by Noriega.

He is a man that Noriega knows very, very well. On several occasions, Noriega mentioned his name.

Senator **Kerry**. Did you ever seen Milian Rodriguez in the company of General Noriega?

Mr. **Blandon**. Never.

Senator KERRY. Did you ever see Milian Rodriguez in Panama?

Mr. BLANDON. I saw him at a meeting, at a house where Noriega was present, but I did not have a chance to meet him. I had come to that house just to provide Noriega with some information, and one of the members of Noriega's security guard spoke to me about him.

Senator KERRY. Let me just understand now because there is a confusion. I asked you a moment ago if you ever saw him with Noriega and you said "No," but now you say you saw him at a house where Noriega was. Do you mean they weren't together, but he was at the house?

Mr. BLANDON. Yes, that is correct. I thought you asked me if I had met Milian Rodriguez. Is that what you asked me?

Senator KERRY. No, I asked you if you ever saw Milian Rodriguez with, not you there, but did you see he and Noriega together ever?

Mr. BLANDON. Well, I went, as I said, to a house with Noriega and one of Noriega's security guards told me that he was meeting with a Mr. Milian Rodriguez. I did not see him. I was told that, and I was in a different room.

Senator KERRY. And this house was called La Playita; is that correct?

Mr. BLANDON. Yes, that is correct.

Senator KERRY. That is the name of one of the principal houses of General Noriega?

Mr. BLANDON. No. It is the name of one of the houses where he conducts dealings and holds parties.

Senator KERRY. One of the 13 houses, or is this a different house?

Mr. BLANDON. It is 1 of the 13.

Senator KERRY. All of his houses have names; is that correct?

Mr. BLANDON. Most of them.

Senator KERRY. Now, was there any other occasion you saw Milian Rodriguez?

Mr. BLANDON. No. As I say, I was told that he was there.

Senator KERRY. Tell us how you know so much about Milian Rodriguez? How do you know him?

Mr. BLANDON. The money laundering process in Panama, which as I say began around 1980, at least on a large scale, also included Mr. Cesar Rodriguez. And there was a certain jealousy and there was a certain fight for control. Cesar Rodriguez was the name, was a very ambitious man. He wanted to have full control over Noriega's businesses.

And he at times referred to Milian Rodriguez, so that we would be aware of the fact that he was there, especially those of us working in the political field. And he said that Milian Rodriguez was a problem for Noriega. So, it was part of the internal struggle which Cesar Rodriguez had in trying to obtain control over all of the dealings in Panama.

Most of the money laundering funds were in the hands of Milian Rodriguez, and you would be surprised if you heard the amounts that are going to be mentioned by Milian Rodriguez.

Senator KERRY. I have heard the amounts, and I think some people will be surprised. But it is really a stunning amount of money.

Mr. BLANDON. That is the case; yes.

Senator **Kerry**. Now, was the National Bank of Panama the principal bank used to launder money, in addition to the other one you mentioned this morning?

Mr. **Blandon**. The National Bank of Panama is part of the money laundering mechanism. I could, if you would allow me to do so, I could summarize how this works.

Senator **Kerry**. Please do.

Mr. **Blandon**. Money comes to the Republic of Panama in cash. It can come from the United States or from any other country. The manner in which it reaches Panama vary, and I mentioned them this morning: Private airplanes, from Noriega's pilots, commercial planes which are used to this, air force aircraft, that is Panamanian Air Force aircraft, or airplanes coming from Colombia bringing moneys to Panama.

That money in cash is deposited in a given private bank in Panama in the amount that the bank can carry on a given day. That is, the bank can handle $1 million in cash in one day, it can take that deposit.

Once the cash enters the bank, since its used for investment is not planned, then it is transferred still in cash to the National Bank. The National Bank of Panama acts as a central reserve bank. In other words, it controls the daily flow of moneys and it feeds the system with cash as needed.

By law, the banks only have a certain limit. That is, there is a ceiling on the amount of cash they can hold in their coffers.

So, once the National Bank does this, it receives a credit for the amount. That is later converted into a check, and the bank then in turn can convert it and transfer the funds via cables or telegrams.

If in a given day the National Bank has more cash than what is required for its daily operations, then the remainder of the cash is sent by the National Bank to other banks in the United States. And the money that entered Colombia illegally thus leaves the country legally and has become clean money.

That is why the National Bank's role is very important as it regards money laundering.

There is another mechanism that does not require the participation of the National Bank, when the cash has been deposited in an amount that the banks can handle, in other words when it is not necessary for the cash to go to the National Bank because that private bank can use the funds for its daily transactions.

But there are mechanisms to control the money that is deposited in cash. The problem comes when the banks that are being protected by Noriega, when they notify the deposits, and the National Bank does not interfere or question them about the origin of the funds.

So, that is why the money laundering process in Panama must be done under the protection of the authorities. And this is precisely what forces them to pay a commission or a fee for money laundering operations. And this, together with the sale of drugs and allowing aircraft to land in Panama for these purposes, are the major sources of proceeds for General Noriega's businesses.

Senator **Kerry**. Is it clear to you that if the drug traffickers could not deal with their cash, find a deposit and launder it, that their operations would be significantly curtailed, or at least much more difficult?

Mr. BLANDON. Yes, of course. That is why you can see that the structure in Panama has what could be called its pillars or spinal column.

The Caymans is another such place that is also used for money laundering, but to a lesser extent. And that is why in the statement issued by General Noriega last night, when he spoke of my knowledge of the situation in Panama, he tried to minimize that and say that was simply a political and military problem.

He said that I had stolen military secrets from Panama. What I do know and as I have said during the past few hours, is that Noriega's secrets are not of a military nature. They are as I have described. They are criminal activities.

Senator KERRY. Now, Mr. Blandon, did you—just a quick answer to this if we can. Which of General Noriega's associates handled the money laundering business?

Mr. BLANDON. General Noriega had several sources, but the person in charge of money laundering with the Medellin cartel was and is Mr. Pretelt, and also Cesar Rodriguez before assassinated.

But also, Noriega handled money laundering from the United States. And as you will see, Echevarria's case was a mechanism that was outside the structure I have just described. In other words, as happened with drug trafficking, all Carlton was doing was bringing drugs from Colombia at the same time and in a parallel fashion, that is without each party knowing, Echevarria was doing the same thing for money laundering.

So, Noriega had numerous sources, numerous ways of handling drug trafficking operations and money laundering operations. He had several open avenues that he used for both drug trafficking and money laundering.

Senator KERRY. Have you heard the name Felix Rodriguez?

Mr. BLANDON. Several times I have heard his name. Felix Rodriguez is an agent, a U.S. intelligence agent, and he has a longstanding tradition in Latin America going back to the times of Che Guevara.

But especially in the Central American war, Felix Rodriguez was the liaison for providing weapons to the Contras in El Salvador. And it was he who trained the Salvadoran Air Force to use helicopters in their war against the Contras.

Felix Rodriguez is a very close friend of Milian Rodriguez. They're not related. They're friends.

Senator KERRY. How do you know that? You know Felix Rodriguez knows Milian Rodriguez?

Mr. BLANDON. Mr. Chairman, several times during my political career I traveled to El Salvador. I have very good friends in El Salvador, and one of the reasons for which I have information on El Salvador is that at times the Salvadoran forces resist the presence of the U.S. Army within the forces.

And it's very easy when you talk with military personnel to get information. And Felix Rodriguez is not known for his good relations with the armed forces, or at least he was not known for his excellent relations with the Salvadoran Armed Forces.

And so my information on Felix Rodriguez comes from several sources, sources from the Panamanian intelligence as well as the Salvadoran intelligence.

Senator KERRY. Now, the fact that Panama has no currency, but uses United States dollars, obviously makes it particularly helpful in terms of money laundering; doesn't it?

Mr. BLANDON. Not only that, which is an important fact, but the banking mechanisms in Panama are now for the movement of moneys without any type of control and restriction. In other words, you can transfer funds to Panama from an account abroad without any type of restrictions to the amount and you can withdraw it at any time, since there is no currency exchange control.

That is why the banks are present in Panama in the first place. That is what happens.

Senator KERRY. Now, did General Noriega recently enter into an agreement with the Soviet Union?

Mr. BLANDON. Yes.

Senator KERRY. Do you have a copy of that agreement with you?

Mr. BLANDON. I would like to introduce this agreement.

Senator KERRY. Can you describe the agreement that you have there?

Mr. BLANDON. Which describes how General Noriega conducts his dealings, using resources that are taken from the people of Panama. The agreement is in Spanish and in Russian.

The agreement stipulates the establishment of a private Panamanian company for the provision of trucks by Aeroflot. And there is another agreement which stipulates the creation of a different company that provides support for Soviet fishing boats in the Pacific and the Atlantic specifically around Latin America.

You have there the documents on the company. That company is in charge of Aeroflot and will receive a maximum of 10 percent in connection for all operations conducted. That company is headed by one of the members of Noriega's security force.

Senator KERRY. The name of the company?

Mr. BLANDON. Sky Shop Corp.

Senator KERRY. General Sky Shops Corp.; is that accurate?

Mr. BLANDON. Yes.

Senator KERRY. And the agreement here in paragraph 1—well, it's actually the fourth clause. It is paragraph 1. It says that it will enter into an agreement for 5 percent of certain proceeds and 10 percent of the others and those will go to this corporation that you say General Noriega controls; is that accurate?

Mr. BLANDON. Yes, it is.

But in addition, there is a second corporation called General Steamship Corp., which is to be in charge of all port operations. And that company will also pay 15-percent commission.

In return, the Soviet Union pledges to build a factory in Panama that is to build patrol boats, patrol boats that are to be armed. The same type of agreement is set up with Peru, but in the case it was an agreement between the Government of Peru and the Soviet Union, whereas in this case it is an agreement between two private companies controlled by Noriega with the Soviet Union.

The people of Panama have no information about it. To that end, the Soviet Union has in Panama Nicolai Sysber, S-y-s-b-e-r, who is a colonel with the KGB who worked for 20 years in Cuba and who is now in Panama, working as part of this operation.

Senator KERRY. So, let me just come back for a second before we try and summarize it. This is signed by Didio Alastein Sousa Guevara. Who is Guevara? Sousa Guevara, who is that?

Mr. BLANDON. He is a member of Noriega's intelligence staff.

Senator KERRY. And he has signed this agreement?

Mr. BLANDON. Yes, as well as the other one, which was signed in Moscow.

Senator KERRY. The other one has a signature on it, I believe, of Diaz Herrera. Is that accurate?

No, it is the stamp of approval. That is what that is.

Mr. BLANDON. The notary public is a brother of Col. Diaz Herrera. He is the notary public.

And during that time, Diaz Herrera was in jail.

Senator KERRY. Well, this will be entered into as exhibit No. 10, contract between Aeroflot and Sky Shops. We need to have a copy made of that if we may.

[The material referred to appears in the appendix.]

Senator KERRY. So, to understand, when was that entered into? What is the date that this contract was entered into?

Mr. BLANDON. That was signed in August 1987.

Senator KERRY. So, while General Noriega was busy being a member of the CIA, working for them, working with the Sandinistas, working to supply the rebels in El Salvador, he is simultaneously involved in drug trafficking and busy bringing in a new contract which results in the KGB being active in Panama; is that accurate?

Mr. BLANDON. He received money for all of that.

Senator KERRY. Let's try gunrunning for a little while here and see what we learn. You have already said earlier in your discussion that General Noriega—and incidentally, Mr. Blandon, we appreciate the detail. It is very important to have this detail.

Not only is your credibility obviously enhanced by the fact that the U.S. Government has chosen to have you a witness in its case, but in addition to that you have placed yourself in danger. You are living with Federal marshals who are protecting you.

I think placing yourself, without immunity and without agreement, before this committee is a courageous act. I want to thank you for proceeding here to give us this kind of detail.

Going back to those early days of the gunrunning, did General Noriega go into the weapons business in order to supply the Sandinistas at the time that they were fighting against Somoza?

Mr. BLANDON. In that case, operations with the Sandinistas were part of an agreement which General Torrijos, President Carlos Perez, and the president of Costa Rica had. It was the unanimous agreement in Latin America that it was necessary to replace Somoza, and this was done with general support.

To make this plan operational, Colonel Noriega, who at that time was chief of security, involved his staff in that operation.

Senator KERRY. Who were the partners in the weapons business at that time?

Mr. BLANDON. At the time, in supplying arms to the Sandinistas it was more than a business, because the Sandinistas did not have funds to pay for them. They were poor. Such is not the case with the Salvadoran guerrillas, who are millionaires because of the number of kidnapings they conducted.

Senator **Kerry**. The Salvadoran guerrillas earned about $200 million, did they not, through the early kidnapings in terms of ransom?

Mr. **Blandon**. Yes, that is correct.

So, the arms supply operation to the Sandinistas, more than an income generating operation, was generated by the Latin American interests in changing and replacing Somoza. I'm not saying nobody made money on it.

But the problem arose when an oversupply of weapons landed in Costa Rica and part was given by Noriega to the Sandinistas and the remainder stayed in their hands. So, after the Sandinista revolution, after the Sandinistas came to power, the remainder of the weapons went onto the black market.

So, they were sold through the same network which provided the Sandinistas with weapons, and then it became a business. That is when Cesar Rodriguez in 1980, after an airplane accident in El Salvador, had to explain that——

Senator **Kerry**. We will come to that in a minute. I just want to get to, if we can, was Costa Rican Security Minister Echevarria a partner in that business?

Mr. **Blandon**. Yes, he was.

Senator **Kerry**. And was Mike Herrara a partner in that business?

Mr. **Blandon**. Krupnick, Jose Krupnick, supplied a different type of weapons, weapons which were not available at the time.

Senator **Kerry**. What kind of weapons did he supply?

Mr. **Blandon**. For example, RPG-2 rockets, ammunition, M-16 rifles; that is U.S. M-16 rifles, grenades.

Part of these he got from the Socialist countries and another part on the black market, where weapons coming from the Asian region are sold.

Senator **Kerry**. Let me ask, was that original business financed exclusively on the Salvadoran rebel proceeds?

Mr. **Blandon**. Yes, at the time. But not only were arms supplied to the Salvadorans; arms were also supplied to the Colombians, but in smaller numbers. The traffic with the Colombians began 2 years later.

Senator **Kerry**. 1981, 1982?

Mr. **Blandon**. 1981.

Senator **Kerry**. Now, the weapons were shipped to where, El Salvador?

Mr. **Blandon**. Yes, to El Salvador.

Senator **Kerry**. To the rebels?

Mr. **Blandon**. To the rebels.

Senator **Kerry**. To the FMLF?

Mr. **Blandon**. Correct.

Senator **Kerry**. When the war, the Sandinista effort against the Somocistas, against Somoza, ended a lot of these weapons were placed in storage in Costa Rica; is that accurate?

Mr. **Blandon**. Yes, it is.

Senator KERRY. Who controlled those weapons that were placed in storage in Costa Rica?

Mr. BLANDON. The Noriega and Echevarria groups.

Senator KERRY. Were weapons other than the ones that were stored in Costa Rica shipped?

[No response.]

Senator KERRY. Do you understand?

Mr. BLANDON. No, I don't.

Senator KERRY. Did Noriega ship weapons other than the weapons that were stored in Costa Rica at the end of the revolution? Were there other weapons that were transferred and shipped to the FMLN?

Mr. BLANDON. Yes.

Senator KERRY. Tell us about those weapons?

Mr. BLANDON. Those are the weapons purchased by Jorje Krupnick in Europe, and which were taken to Panama and then sent to El Salvador. Krupnick is a partner working very closely with Noriega.

Senator KERRY. Were the weapons shipments ever discovered by the Salvadorans?

Mr. BLANDON. In 1980, as I said, there was an airplane accident.

Senator KERRY. Could you describe what happened?

Mr. BLANDON. Yes, of course. A flight from Costa Rica in which Cesar Rodriguez was and another flight in which Carlton was traveling also went from San Jose to San Salvador. When they arrived in San Salvador, Cesar Rodriguez's aircraft crashed against a tree and Carlton, who was behind him, saved Cesar Rodriguez, but he was unable to destroy the Panamanian airplane.

Senator KERRY. This plane had Panamanian markings on it; isn't that correct?

Mr. BLANDON. Yes, both of them did. Both aircraft were Panamanian. One was an aircar and the other one was a biplane.

And when Carlton saved Cesar Rodriguez from the airplane, they then went on to Panama, starting in Costa Rica, and landed in an airstrip in Chiriqui, which is a province close to the border with Costa Rica. The airport is the Lajas Airport.

Cesar Rodriguez had broken legs and was hospitalized at a clinic in Chiriqui. This posed a significant problem to General Torrijos and to the Minister of Defense of El Salvador at the time. I was sent to Chiriqui to speak with Cesar Rodriguez and Cesar Rodriguez explained to me that that trip had been authorized by Colonel Noriega.

I returned and told Torrijos what had happened, and he held an urgent meeting with Noriega and with myself. The meeting was a very harsh meeting, because at the time that Noriega was dealing weapons we were also discussing with the Salvadorans, with the military and the guerrillas, trying to provide a peace project which we had initiated with the Carter administration and which we had discussed with Robert Pastor and William Boulder, Pastor who was a member of the National Security Council for Latin America, and William Boulder, who was Under Secretary of State for Latin American Affairs with the Department of State.

Both can confirm that toward the end of 1980 and the last days of the Carter administration, we were working on that. And this incident happened in the summer of 1980, in the midst of the discussion process when the Reagan administration was just beginning.

So, this posed a problem for Torrijos, and there was a very violent and heated discussion. And after that, General Torrijos launched an investigation of Colonel Noriega.

Senator KERRY. Did Colonel Noriega provide a lawyer for Cesar Rodriguez and Floyd Carlton when they were being investigated?

Mr. BLANDON. Yes, because the problem when that happened was that Carlton disappeared completely in Panama. Nobody could find him. And when this happened, Noriega provided Jorje Ritter, who is now Ambassador to the U.N., asking him to defend Carlton and Cesar Rodriguez.

Subsequently, Ritter was named Panama's Ambassador to Colombia and he held that post for more than 5 years.

Senator KERRY. Besides—well, let me just ask you to finish on the Rodriguez investigation. Did the weapons flow to El Salvador stop for a while as a result of that crash?

Mr. BLANDON. Yes, it did. It was still done, but more sporadically, because the two major pilots, that is Carlton and Cesar Rodriguez, had been injured and could not be used. But other avenues were used, but they were more careful.

Senator KERRY. So, General Noriega stayed in the weapons business notwithstanding?

Mr. BLANDON. Yes, that is right.

Senator KERRY. Were there sales to M–19?

Mr. BLANDON. In 1981, arms were sold to the M–19, and beginning in 1982 a sales process began.

Senator KERRY. Describe M–19 for the record here. Describe M–19.

Mr. BLANDON. M–19 is an organization which is political and military. It includes middle-class, young Colombians who initially, it was a very popular movement, one which enjoyed great support. But now it is seen as a guerrilla group tied to drug trafficking.

In 1980, precisely in the month of March 1980, General Torrijos held a meeting with the M–19 in Panama, trying to make the M–19 a political movement that is trying to transform them from a guerrilla movement to a political group.

But as Torrijos was doing this and as we were working along those lines, General Noriega, working with the Cuban intelligence, provided weapons to the M–19. And in April 1981, breaking the political agreements which had been established in Panama, the M–19 invaded the valley of Kateka in Colombia.

And the Colombian army discovered this and more than 200 young men, Colombians, died. Five Panamanians were arrested as a result, and that was the outcome of Noriega's changing a political discussion into a military adventure.

Senator KERRY. Did, were there sales to other guerrilla groups besides the M–19?

Mr. BLANDON. Yes, of course. The National Liberation Front of Colombia. It is a group organized by the Communist Party of Colombia.

Senator KERRY. Any other groups?

Mr. **Blandon**. It was an arms supply in 1982–84 to one of the most dangerous groups. The International Simone Bolivar Brigade.

Senator **Kerry**. Any other sales?

Mr. **Blandon**. As far as I know; no.

Senator **Kerry**. Were there other flights of weapons to any guerrillas made on Panama Defense Force aircraft?

Mr. **Blandon**. No. They used private planes.

Senator **Kerry**. Besides the Rodriguez flight, how were the weapons delivered to El Salvador?

Mr. **Blandon**. I do not know if I understood your question.

Senator **Kerry**. It was the Rodriguez flight that flew weapons into El Salvador. Were there other ways that weapons were delivered to El Salvador from General Noriega?

Mr. **Blandon**. In August 1987, General Noriega agreed with the Salvadorean guerrillas in the midst of the country's political crisis to supply weapons via Nicaragua.

That was in September 1987. And at the end of October, it gave the supply, but I would not be able to tell you what kind of arms supply it was, what kind of supply it was.

Senator **Kerry**. You do not know, is that correct?

Mr. **Blandon**. I know what they asked for, but I do not know what was given, what was delivered.

Senator **Kerry**. Which airstrips in Costa Rica were used for delivery of weapons?

Mr. **Blandon**. Do you know how many landing strips there are in Costa Rica? There are many of them. We have a Domoningo landing strip, Mr. Hull's ranch's landing strip in a place called Liberia, the landing strip built by North's network or by the private network of Colonel Secord which was then closed by President Arias.

But there are many, many landing strips for all kinds of planes in Costa Rica.

Senator **Kerry**. Were those strips used for weapons deliveries, the ones you have just mentioned?

Mr. **Blandon**. For the delivery of weapons, they were used for several things. First, to transport weapons as the intermediate step for weapons, and also for cocaine.

Senator **Kerry**. Does that include John Hull's ranch?

Mr. **Blandon**. Mr. Hull's ranch is used for several things. I will give you just one example.

In 1982, in San Jose, Costa Rica, there was a radio station called Radio Enutusios Continente. It was a station headed by a pro-Montonero group. It was a shortwave station.

And in 1982, a group operating from Guatemala made up mainly by security agents of the former National Guard of Somoza, made a command operation to destroy that station. And the ranch they used to hide was Mr. Hull's ranch.

At the request of President Monje, we went to Costa Rica to study this situation. And at the end, we realized that the Costa Rican authorities had not investigated the matter in depth.

A tactical operations team that it would be capable of launching attack against a goal in Costa Rica, against the target in Costa Rica, that is why we studied that situation. So, that is an example of how these things were going on in Central America.

I am mentioning that because I just wanted to say that in addition to this very specific incident, I cannot really tell you if it was used for other things.

Senator KERRY. Let me before we move on to the area of relationships with some U.S. entities, I want to just get some quick answers on a series of questions.

You mention 1987, August shipment, let me ask you about this. Did Noriega meet with Salvadorean guerrilla leaders in 1987 in Panama?

Mr. BLANDON. Yes. He met with Jeff Utanda, who is a member of the FMLN, the Communist Party faction. He is the Secretary General of the Communist Party of El Salvador.

Senator KERRY. And Handel at that time requested funds; is that accurate? Requested weapons; did he not?

Mr. BLANDON. Yes. He requested weapons, Stinger. These are the land-air missiles. And he also asked for munitions.

Senator KERRY. And did Noriega agree? He did, did he not?

Mr. BLANDON. Yes, he did. And since the proposal was that it be done through Nicaragua, via Nicaragua, Ricardo Willar came to Panama to make the necessary arrangements. If you read the statement by one of the majors who deserted the Sandinista army, you will see that all of these dates agree.

Senator KERRY. Were the weapons sent?

Mr. BLANDON. Information that I have is that they were, but I am not sure if they did sent the Stinger weapons or not.

Senator KERRY. Needless to say that is in violation of the peace accord; is it not?

Mr. BLANDON. Yes, it is.

Senator KERRY. Before I go into the area of Poindexter, North, and others, let me turn to my good colleague here.

Senator D'AMATO. Thank you, Mr. Chairman. Mr. Blandon, you indicated that General Noriega had other reasons besides the profit motives to sell to the guerrillas in El Salvador.

For example, last month you said you believe that the guerrillas may have been sold Stinger missiles. Certainly if not Stinger missiles, ground-to-air missiles.

Why do you believe that the ground-to-air missiles Noriega provided the guerrillas with were Stinger missiles? And what other reasons other than profit would Noriega have entertained that sale for?

Mr. BLANDON. Well, I will answer the last question first. The arms supply which Noriega was sending to El Salvador was to be more than a business for Noriega. Remember I am speaking of September, October 1987, in the midst of the severest political crisis ever seen in Panama.

So, his aim was to gain political support from the National Liberation Front in El Salvador, so that when he were to claim that the United States Senate or the United States press or the Panamanian nationals living in the United States tried to ask the United States to pay attention to the situation in Panama so that he could then say that he was simply a nationalistic general interested in the problems of Latin America, one who believed in progress and was being attacked by United States imperialism.

If you listen to Noriega's statement made last night and his statements on 60 Minutes, you will hear that that is the thesis he is trying to sell, and with the support of such groups he would gain credibility.

But in practice, Noriega has always taken information from the guerrillas and has turned it over to the Salvadorean Army so that it could be used against them. In turn, he has taken information from the army to give it to the guerrillas so that he can use it against the army. So, he works both ways.

As for the first question, as you know, part of the arms supply being sent to Afghan rebels through Pakistan, as happens in Central America, part goes to the rebels and the remainder goes to the black market.

And part of that black market, Mr. Senator, sells Stingers and other such sophisticated weapons. General Herrera has the international connections allowing him to obtain such weapons.

I could not guarantee this because I did not see the shipment. So, I could not assure you that the arms were given to El Salvador. But what I was told was that the shipment, a shipment had been received. Whether or not it contains Stingers, I could not say.

Senator D'AMATO. Mr. Chairman, again a rather chilling story of, No. 1, misuse of American aid, aid that was intended for the freedom fighters in Afghanistan.

And here we have a situation or reason to believe that at least parts and maybe the most sophisticated kinds of weapons systems are being black marketed and then being used against the people in El Salvador.

And then of course I think Mr. Blandon's testimony indicates as it relates to the way Noriega conducts all of his operations, there is no political philosophy here but rather just the interest in keeping the controversy going.

He is that key player in the middle that both sides go to. Whether it is in fighting drugs or whether it is in revolutions or fighting those revolutions this really plays to his strength.

And I want to commend the chairman for the manner and the patience he has demonstrated in making it possible for a most credible witness like Mr. Blandon to lay out the facts, as he has done so systematically. And you, Mr. Chairman, and your staff have done an absolutely outstanding job.

And I just want to at this point commend you. I hope that our colleagues will get the opportunity to read the pertinent portions of the record that you have helped build here.

And again, Mr. Blandon has really just set forth in this one little story of the arms shipment how Noriega has used all of these controversies down there always to his advantage. And how our CIA and how our defense people and their intelligence operations could have been so easily taken in is an area that I would hope that Senator Boren and his committee, as it relates to some of that intelligence information, will really look into.

Because I think it certainly shows some deficiencies in our understanding of the situation there, and in our operations.

Senator KERRY. Well, Senator, first of all I appreciate your comment.

I know that you have been deeply concerned about this, and I know that you were instrumental in helping Mr. Blandon to receive the attention from the Federal authorities in terms of protection that he has got.

And I know that he is grateful for that, and I am too. I appreciate you taking time in this week off to share in that effort. You have been consistently good, I think, in helping us to focus.

I have been trying to get a lot of information out and playing kind of the role here of laying it on the table and not reacting as much. There is a tendency as you hear this, it becomes blurred almost in its significance, what we are hearing.

And incidentally, those of us who are sitting here are privy, obviously, to a little bit more information because we have talked to the other witnesses. We have a better sense of the mosaic than some of those who are hearing this for the first time.

But I am absolutely staggered by the degree to which one of two things was happening. You said maybe the Central Intelligence Agency and others were taken in by it. Well, that is certainly one possibility and one thesis.

The other is that they knew about it and life as usual just was not worth disrupting. That there was a willingness to tolerate, based on other perceived goals and other perceived interests.

That is one of the things that we are trying to get at here. What is the judgmental process that allows people to make a decision that it is OK for a major player affecting the lives of the whole people of a country stealing it from them right out from under them?

To be doubledealing, tripledealing, quadrupledealing. In some cases engaged in efforts that are directly counter to the best interests of the United States of America, which any school kid could determine is contrary to our interests. And yet life went on as usual. They kept doing this.

Now, I do not know whether they were taken in. I do not know if we have got the worst intelligence system in the world. I do not know if we have got the best and they knew it all, and just overlooked it.

But no matter how you look at it, something is wrong, something is really wrong out there. And we are not going to get to the bottom of it in the next couple of days. We are going to kind of lay it out there.

But I agree with you completely. I want colleagues to see this record. And I hope colleagues will ask more questions, and undertake through other areas. Because I think in the end that can help us make better decisions about these kinds of matters.

It is just incomprehensible to me, both as a former prosecutor, as a parent, as a citizen, as a Senator, to sit here and listen to the manner by which we permitted narcotics, we were complicitous as a country in narcotics traffic at the same time as we are spending countless dollars in this country to try to get rid of this problem.

As law enforcement officials risk their lives, witness what happened in Mexico with one of our DEA, how can you ask a DEA agent to go out there, risk their life, when there is a whole other policy out here that is willing to overlook narcotics?

It is mind-boggling. And as I say, we are not going to get through all of it today. We are scratching a lot of the surface of it. But I sure feel the urge to scratch further, and appreciate your willingness to help in that effort.

Both Senator D'Amato and I have to catch aircraft to get back, he to New York and I to Boston, returning obviously later tonight so we can continue tomorrow. I said we might have to break a little early. I see we only have 15 minutes left before that break period.

That is not going to give us the opportunity to fully cover the two areas left which are worthy of solid questioning. And those are the relationship, frankly, directly with some of these entities, the meetings that you say you had with Oliver North, the meeting with Mr. Poindexter, the nature of the intelligence operation, and finally how this has affected our interests in the region, what it has really done in terms of Panama and so forth.

So, what I would like to do is start again tomorrow morning. We will continue some mopup questions here. I want to get to the international network chart, which we have not done, and then we will start tomorrow morning again at 9.

We will probably go only about an hour with you, Mr. Blandon. And as soon as that is over, we will bring Floyd Carlton right on. And my hope is we can run later tomorrow. We may even be able to start with Milian Rodriguez, if possible. So, given that, did you want to ask something more?

Senator D'AMATO. Mr. Chairman, I tell you what, I totally subscribe to the idea of starting at 9 a.m. tomorrow morning.

I am wondering, though, I have a few questions, and if we could not tomorrow morning take them up dealing with that money laundering——

Senator KERRY. Let us take them up tomorrow morning and then we will just go through the process here, if we could continue on the charts. Is that amenable?

Senator D'AMATO. Certainly.

Senator KERRY. Let me come back to the international network chart. Would you explain to us precisely what you mean by the "international network" and what the impact of that network is?

Mr. BLANDON. This operation, this drug trafficking operation would be impossible on the current scale without an international apparatus supporting these illegal activities.

As I said, the Republic of Panama is a key part of the drug traffic business. But in addition to Panama, there are other countries also involved, in a wash, we have called the international development of drug trafficking and the control it is exercising over our government.

On the chart you see that Cuba, Nicaragua, and Panama have specialized groups exclusively addressing the drug trafficking problem. They are not working to control the problem. They are trying to develop drug trafficking.

In the case of Cuba, there is a Latin American department, headed by Pineiro. They key man there is Ambassador Ravelo. He was Ambassador, Cuban Ambassador to Colombia, and he controls the relationship between the Medellin cartel and the M–19.

There is also another group in charge of individual relationships with different countries. They are in charge of establishing connections between the M-19 to find out what they need, and then providing requested weapons.

Because the political theory behind all of this is that in order to be able to influence the political arena in Colombia, two avenues can be sought. One, the institutional avenue using the bodies or agencies that have been set up legally. Or you can do so illegally through drug trafficking.

I think that no one here will be surprised to hear the role played by drug trafficking in the institutional life in Colombia because of the funds they control. So, in Colombia the various cartels, the Medellin, and other entities involved, have generated other institutions that control the local authorities and the higher authorities in the country.

A few days ago, we saw that Ochoa, one of the major drug traffickers of the Medellin cartel was incarcerated, was later gone freed. So, you can see the power they have. The Colombian authorities are fearful when they deal with drug traffickers.

They have also developed a military apparatus allowing them to use weapons and force to retaliate to any type of attack, so that justice in Colombia is being terrorized. So, having seen that situation in Colombia, and following the theory that it is better to have several heads rather than only one, they have developed many beachheads in Latin America.

One of those, and perhaps the most important one in Panama, and you can see on the other chart how there has been an empire which has been built to support that development.

It is interesting, Mr. Chairman, Mr. Senator, or it would be interesting for you to discuss this with Floyd Carlton and hear about his trips to Nicaragua in 1984. That is a key year for the development of this international network. They did the same thing they did in Panama. They set up processing laboratories at the same time they did so in Nicaragua.

In addition to that, the Medellin cartel also began establishing connections with the military in Honduras. And the recruiting mechanism follows the same mechanism.

They use money, they use flattery, they leave briefcases full of money, and that is all part of a process. And you will see that this corruption process, whatever a country's ideology may be, has been able to penetrate the countries of Central America as well as Cuba.

We think that it is clear that these operations have been developed and have led to the creation of an international drug trafficking network, which makes it very difficult for isolated units to truly have an affect on drug trafficking operations.

In addition to that, drug trafficking has entered a different sphere, and that is the political sphere. In the specific case of some countries, it is now financing the electoral campaigns. So, we have to watch over this political phenomenon and its development.

The limited financial or economic development of Central America has allowed for the narcodollars, the drug dollars, though it may be obtained at the cost of blood and lives of young people, is starting to be used to pay for businesses in other areas.

As I said, the U.S. policy in Central America has left as an inheritance not a strong leadership for development but absolute military leadership. And you can see this going from country to country, assistance over the past 7 years, without distinguishing classes, all the countries except Costa Rica and Panama have developed military power as their pivotal force.

And that is where drug trafficking has concentrated all its efforts. It has penetrated the army from the top. And this is so, Mr. Chairman, because you cannot get anything done working with the lieutenants.

You have to go from the generals to the colonels, and that is how drug traffickers have worked. All of this is mixed in with the fight for liberation and social transformation processes. But all of this is now tainted by its liaison with drug trafficking.

That is why I said, Mr. Chairman, at the beginning that after having exhausted all political resources and seeing that any political projects were met with failure, we had to face the truth, and that was that Panama is not in the hands of its political leaders, it is in the hands of drug traffickers. Or those who are under their control. So, no political solution will be successful.

On the contrary, and that is why yesterday General Noriega said that his support is going to come from Nicaragua and Cuba. So, he is trying to portray this as a liberation struggle, a nationalist struggle, even though that is senseless.

Because no U.S. Senator, no U.S. public official can say that we in our conversations have said that the Carter-Torrijos treaties are not being observed, or that the United States should retain control of the canal.

None of us over the past few months have said that to the U.S. Senate, or to any members of the U.S. administration. Furthermore, we have had the political courage, paying the price of being misunderstood at times, we have expressed our political differences with the policy being conducted by the United States in Central America.

In the case of our country it would be false to say that we have spoken with United States Senators, or that we have traded political support for Panama for a United States presence in the canal.

For us it is clear that neither the United States nor the canal users can think that the canal can now fall into the hands of such a criminal empire. That would simply be putting a resource which belongs rightfully to us, the Panamanians, but which is valuable and is used by the entire world, could be put into the hands of criminals.

We believe that it is a resource that should belong to the entire world. And so what I have tried to show in the graph is that there is a flow going in different directions. There is a flow of drugs to the United States, which in turn creates a flow of illegal moneys that corrupt the civilian and military structures of other countries.

And there is a reflow, a backflow, which in turn makes it possible that using illegal resources in a very profitable business, financial control of our countries can be bought.

It is not surprising to hear that in the 1984 meeting held in Panama with the Medellin cartel, they proposed to the former president that they could finance the public debt of Colombia.

We are not speaking of people who have a limited financial capability. We are speaking, Senators, of billions of U.S. dollars generated in annual operations of this group, which has now extended its activity throughout Latin America.

If you go to Panama you will find it surprising to see that officers who have a salary of $3,000, $5,000 can have homes that are worth millions of dollars, or that they have fleets of cars. No one holding a decent job can garner wealth in such a fast manner.

Most of the people of Panama, as happens with important groups in Colombia, are in a state of fear. International press publishes that there have been no new explosions in Panama. And if that is so it is simply because now after the United States indictment of Noriega the people have realized whose hands they are in. And now, there is a generalized feeling of fear.

One of the stations which yesterday broadcast a view opposite to that of Noriega saw its windows shattered and its doors closed down. So, that is what we have in terms of freedom of expression.

So, we believe that we, and the United States, need to face this increasingly dangerous situation in Panama. In the case of the United States, Panama is the largest United States population in Latin America. More than 50,000 U.S. citizens live in our country. So, the United States strategic interests are also entailed in Panama.

I am saying this because, as this situation has developed, there have been other areas where the United States is also going to face serious problems. One such area is the Republic of Honduras.

I already mentioned corruption at very high military levels. You have seen how million dollar drug traffic operations coming from Honduras were interrupted, so you can see how all of these actions are tied to each other, how they have led to the establishment of an evil empire, one which advances and moves faster than the United States does.

Senator KERRY. Well, I was correct in predicting we would not have time to do the other part of it.

I think that what you have said is of just huge significance. I wish more of our colleagues could be here to hear what you are saying. The bottom line is so clear. I mean, our ineffective law enforcement efforts, our inattention to it, our fixation on Nicaragua to the exclusion of other problems and other countries even.

Our willingness to tolerate Noriega has in fact, according to what you have said, and you lived there and you have lived it, put us in a position that is directly counter to the best interests of where we wanted to wind up.

So, we have been our own worst enemy in this process, almost.

Senator D'AMATO. Mr. Chairman, let me say this for the record. When we started the hearings, I raised the issue of the loss of sovereignty that the people of South America and Central America are facing.

I think in just these past few moments, as Mr. Blandon has outlined the manner in which this has carefully been orchestrated, and the fact that this is taking place not just in Panama and Colombia but spreading, and they are growing stronger, tentacles are growing and they are growing stronger and deeper, and that this is the most challenging situation which the United States of America and its people face in relationship to our own national security.

And the fact, sorry tale is that in its own way those ugly tentacles of corruption and power are reaching into every community of the United States of America. And our resources have not been marshaled in this battle.

And I dare say the intelligence agencies of this country, by God, should be involved in this battle instead of working with the scum of the Earth, which they have been doing. They should be involved in this battle as a crusade for the survival of this country and this hemisphere.

The Blandon testimony that we have heard just in the past minutes should be repeated and the media should carry it, if they want examine them in that testimony. And I dare say our Justice Department and drug enforcement agencies should take note.

There is no more chilling detail that confronts us, no more greater challenge. Mr. Blandon, I want to say here and now, I am deeply, deeply grateful. And I know that Senator Kerry shares this sentiment.

The time and the courage that you have evidenced, the great risk and personal sacrifice, I dare say maybe your example will give others, because there are many decent law-abiding people who need that courage to come forward.

And they have got to know too that there is going to be safe haven for them, not only to address these problems and make them known, and that is the first part, if we are going to begin to undertake a real battle.

And we have heard just little bits and pieces of the narcoterrorism network, and how it is subjecting tens and tens of millions of people to the loss of their dignity and their way of life, and has just humbled them and their governments and their operation. And that is taking place here too.

Maybe not to the extent that we have seen it in these other cases, whether it is the local deputy sheriff, or whether it is the harbormaster who turns the other way, or the person who operates an airport terminal, or the banker, or the securities dealers. It is beginning to make its intrusions in a very real way right here in this Nation.

So, Mr. Chairman, again let me thank you for having the perspicacity not just to hold a 1-, 2-hour hearing, not to just make sensational charges, but to draw out in depth and in detail.

And Mr. Blandon, again, I hope that our media and others focus in on what you have indicated just in these past 10 minutes, because it is a chilling story.

Senator KERRY. Thank you, Senator D'Amato, for those appropriate and I think important comments.

Tomorrow we are going to begin again, Mr. Blandon, and we are going to go a little further into the details of some of the effect that you have outlined in these last minutes, and talk further in examination about the relationship between our countries, our governments.

Let me say that also we will have a printed record in full as soon as possible. We will be expediting the printing of this record so that it is available. I would like to thank the two interpreters very, very much. We will see you tomorrow morning. Thank you for a really outstanding job today.

Mr. Blandon, thank you. It has been a long day. We will promise not to hold you too long tomorrow morning. And then we will move to the testimony of Floyd Carlton. We stand recessed until 9 a.m. tomorrow morning.

[Whereupon, at 3:35 p.m., the hearing was adjourned, to reconvene at 9:09 a.m., Wednesday, February 10, 1988.]

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: PANAMA

WEDNESDAY, FEBRUARY 10, 1988

U.S. SENATE,
SUBCOMMITTEE ON TERRORISM, NARCOTICS AND
INTERNATIONAL OPERATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:09 a.m. in room SH-216, Hart Senate Office Building, the Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Also present: Senator D'Amato, Jack A. Blum, special counsel, and translators Karin Ruckhaus and Joelle Delaplace.

Senator KERRY. This Subcommittee on Terrorism, Narcotics and International Operations will come to order.

We will continue this morning for a brief period of time with Mr. Jose Blandon. Mr. Blandon, I remind you that you remain under oath. The oath that you swore at the outset of these hearings continues through your testimony. And the interpreters, the same interpreters as yesterday, and the interpreters remain sworn as yesterday.

I do want the record to reflect at the appropriate place in the beginning that Jose Blandon is appearing before this subcommittee of the Foreign Relations Committee under subpoena from the committee. And I believe it is appropriate that the record so reflect that.

Let me make one other comment at the outset of today's hearings. Yesterday we heard maybe 7 hours of extraordinary testimony from Mr. Blandon, and the day before we heard significant testimony, both from the district attorney of New York, Robert Morgenthau, as well as from General Gorman, the former commander in chief of the Southern Command.

All that testimony, all but 5 minutes of the testimony here, has focused on the depth of the narcotics cartel's stranglehold and increasing subversion of institutions within Central America. The focus of stories yesterday, I think, while important, because clearly we are also concerned about CIA involvement in this throughout the period of time and American Government involvement in it throughout the period of Noriega's control of Panama, I think it's important to bring the focus back.

This is not a hearing on the CIA. This is not the appropriate forum for that hearing. And while we remain deeply disturbed by the information that was revealed, I want people not to miss the point that Jose Blandon is making again and again, which is the depth of that conspiracy.

Now, having said that, I also want to release today a request which we have had outstanding to the White House, and I think it's important that the White House understand the importance of responding rapidly to this request. I wrote a letter several weeks ago—this is my second letter—to Mr. Culvahouse, Counsel to the President of the United States, in which we have asked them for the declassification of specific documents in the Oliver North diaries, which are a matter of public record, many pages of which have been declassified already as a result of the Iran-Contra hearings.

Since January, we have asked for declassification because of the ability of those pages to document some of the things that have been said here, and we will continue to press the White House for declassification.

We have called attention to the White House that this is an ongoing current investigation. They have suggested to us that thousands of pages have been requested by various people for declassification and that we are at the end of the line.

And I have pointed out that an ongoing investigation I think ought to take precedence over the mere release of past information from now defunct investigations.

I might also point out that the White House, however, has claimed that a number of other ongoing investigations, such as Wedtech and so forth, may have precedence. So, we will be continuing to press them for it.

But it is important, because I want people to understand that there are American documents currently in existence and other information within our own channels that could shed considerable light on this. And it's my hope that in the ensuing days we're going to get a hold of that.

Let me ask my colleague if he at this point has any opening comment that he wants to make before we proceed.

Senator D'AMATO. Mr. Chairman, again let me congratulate you for the hearings, for the work, and for the dedication to undertake something that's not easy and is not going to end just with these hearings, regardless of what comes forth. We have heard testimony as it relates to the nations who have succumbed already and are in the process of surrendering their sovereignty and that of their people to the drug conspiracy. Mr. Blandon has so artfully and so painfully of his own time and effort and risk to his own personal safety, and that of his family, gone to great depths to attempt to give us an understanding in these charts, to show us the depth of this international conspiracy and narcoterrorism.

And we can see how it has affected these countries, and certainly we're naive not to understand that our own quality of life and domestic tranquility has been so savaged as a result of the drug epidemic.

I think also, Mr. Chairman, while I applaud your efforts for attempting to keep our eye on the central theme of how vast this system is, where it has already breached, what we have to be doing, who is partly responsible, what officials, what branches of

Government have done less than they should have, I think the fact that there are those who are in high places, those within this administration, those within the Noriega payroll, his publicity people, et cetera, who will attempt and do anything they can to discredit Mr. Blandon.

So, while I support your contention, indeed I believe it's important, I think we would be naive and remiss if we were to allow what will be a concerted effort to discredit the testimony of Mr. Blandon to go unchallenged.

The fact of the matter is, Mr. Chairman, as you and I know from sources, not that I have ever been told by the CIA themselves, but the fact of the matter is that it is well known—and I daresay the CIA will say we never make comment one way or the other—that Noriega, this thug and racketeer, has been on the payroll and the employ of the CIA for many, many, many years and, I have been given to understand, up until rather recently.

So, it is not inconceivable, but it is most probable that what Mr. Blandon has would fit in part and parcel with this, hand in glove, this activity that the CIA had with this thug who was in their employ, and after all how proud they must have been that one of their own, that they nurtured for so many years, had risen to this power position.

And so I don't find it difficult to believe that they would have transmitted information to him, but otherwise they would have been precluded by way of law. It makes sense, and I do not doubt the veracity of Jose Blandon. I think to the best of his ability he has attempted to give his recall. He has given us notes, he has given us documents, and I believe him.

And I would conclude by saying this, Mr. Chairman. I watched this thug and racketeer as he traveled around Panama attempting to rally the people to a false cause, because as you and I know, although we may have agreements or disagreements as it relates to the canal treaty, that is a bona fide treaty.

I know of no one who seeks to break that treaty. Noriega is attempting to rally his people to a nationalistic cause. He has failed miserably. The people know that this is nothing more than a shoddy attempt to rally them against the oppressor, that he attempts to cast the United States in.

And I think we have got to let him know very clearly that there is no way that we will allow him to threaten our legitimate interests in the full force and binding effect of that treaty, and that he had better go very carefully, because we do have the wherewithal and I think we have the commitment and purpose to see to it that our national security and the terms of that treaty are fully enforced, and we will use the appropriate measure of response to meet any challenges by Noriega.

So, I think that's important, that we send that clear message to this tyrant.

Thank you, Mr. Chairman.

Senator **Kerry**. Thank you very much, Senator.

Let me add one word about credibility of witnesses in this process, if I may. First of all, I think it's important to state that this is not a criminal proceeding, it's not a court of law. And therefore, the rules of evidence don't apply as they normally would.

Have we taken in some things that are hearsay? Yes. This is a hearing process. It's a process for the gathering of the maximum amount of information. And from that we try to make some judgments, or from that we try to go further in terms of our investigation, which may or may not ultimately result in some matters being in a court of law, where different rules would apply.

But I do want to make the point about credibility of different witnesses. It's been said before that some of the witnesses are felons, that they're in prison; therefore, how can you believe them?

Well, that's a problem that everyone has in prosecution. We have sent countless people to jail in this country for various crimes on the testimony of coconspirators, on the testimony of people who are serving time, some of whom may want to get a reduced sentence, some of whom do cut a deal with the prosecution.

And our fellow Americans, juries, peers, make judgments about those people as to whether or not they are testifying truthfully.

We will hear in this hearing, as we have previously privately, from people who are in jail. And you have to make a judgment about them: What's their interest? Why are they doing it? Are they declaring things that are against their best interests? Have they made a deal? Are they in fact getting something for it or not?

And there's a saying in trial law which is sometimes argued in front of juries. People say, you know, "When you're trying the Devil you don't go to Heaven for your witnesses." And the fact is that you're not going to find people who are drug traffickers, people who can talk about these things, about murder, about gunrunning and so forth, you're not going to find them in Sunday school.

You're going to find the participants, and we're going to have to make some judgments about whether they are credible. And you base that on whether they corroborate each other's testimony, and you measure the details and you measure the depth of them and so forth.

In the case of Jose Blandon, he is a diplomat. He is a distinguished public servant. No one has ever alleged that he made money in this process. No one has ever alleged, in Panama or elsewhere, that he has been part of this conspiracy.

He has tried hard to lay out facts as he knows them. I think we can measure the detail.

But one of the things you also measure is motive. His interest is in his country and in Noriega, not the CIA. His interest is not in becoming embroiled in a domestic American squabble of some kind.

He has been reluctant, I can tell you, to talk about some of the things he does know involving the U.S. Government decision process, because he is here, frankly, under our protection, surrounded by Federal marshals, here with his wife, his life disrupted in a way that I think says a great deal about his veracity, about his willingness to testify.

And it is in that light that he has made some comments about what the CIA did or didn't do and, I might add, not hearsay. He himself saw the documents. He read the documents. He was in a position to do so, and he has said openly what happened.

Now, I suppose, Mr. Blandon, that this hearing is still ongoing and we haven't closed it off, and you can always change if you felt a change was necessary. I don't even know if you've had a chance to hear "The Phantom of the Opera," which is the current rage on Broadway, but there's a great song in it called "The Point of No Return."

And we might say that this is the point of no return. You're under oath, the hearing isn't over, and you can change your testimony if there's anything to change, and I'm going to give you that opportunity.

If you feel that somehow you haven't been accurate or you haven't laid it out the way you want to, this is the moment. Is there anything you want to change about what you said with respect to yesterday's testimony on having seen the CIA documents?

STATEMENT OF JOSE BLANDON, FORMER CONSUL GENERAL OF PANAMA

Mr. Blandon [through translator]. Mr. Chairman, first of all I should tell you that in my opening statement yesterday I clearly said that I was here to say the truth and nothing but the truth. I have been very careful every time I have spoken, trying to clearly state what was my own personal opinion and what was a fact.

I am very surprised to see that the United States press has been so surprised by something which for us in Panama and in Central America is simply common knowledge. I have tried to understand the reaction and the psychology behind it, because it seems that the United States finds it unbelievable that its own agencies prepare documents that speak against their own political leaders.

But Mr. Chairman, I have had access to those documents and I can say even more than I have said. In personal conversations with Central American leaders involved with the intelligence agencies of other countries, they have told me that they have had access to similar types of documents.

You the Members of the Senate have also had access to information which has come before the Senate, but that information has at times been untrue. I listened to the Iran-Contra hearings and I saw how a maneuver was set out to lead people to believe that the Senate was leaking information.

So, Mr. Chairman, as regards the documents and information that we have about the activities of Senators, I would reiterate what I said yesterday. But I do share your view. More important than that one detail, which is clearly important for the United States, but more important than that is the fact that a criminal empire of a multinational scope has taken over the sovereignty of our countries, is contravening the interests of the United States and of its young people.

And to conclude this statement, Mr. Chairman, I could say that my own family, my children, are paying a very high price for what I am doing today here before you. My children have had to leave school and they are living differently.

And there is no reason in my heart or in my mind that would lead me to invalidate or withdraw what I have said here. Unfortunately, what I have said is true.

Senator Kerry. Thank you very much, Mr. Blandon, for that restatement.

Let me now pick up where we left off yesterday, if I may. At some time, did Oliver North meet with General Noriega?

Mr. BLANDON. Yes, he did.

Senator KERRY. When was that?

Mr. BLANDON. As far as I could say with accuracy, it was in 1985, twice, once in June 1985 and once in October of the same year. And also, at the end of 1985 Admiral Poindexter also met with General Noriega.

Senator KERRY. Now, coming to the first meeting, can you describe how that came about, where it took place?

Mr. BLANDON. The meeting was held on board a yacht, to discuss the situation in Nicaragua in particular.

Senator KERRY. Where was the yacht?

Mr. BLANDON. The yacht was at the Balboa port, on the Pacific side of the Panama Bay.

Senator KERRY. Do you remember what kind of yacht it was?

Mr. BLANDON. It was a luxury yacht.

Senator KERRY. Motor or sail?

Mr. BLANDON. Motor.

Senator KERRY. Do you know who it belonged to?

Mr. BLANDON. I have no idea.

Senator KERRY. Was it American or Panamanian or other country?

Mr. BLANDON. I believe it was North American, but I can't say for sure.

Senator KERRY. Who arranged for the yacht to be there; do you know?

Mr. BLANDON. No. I was summoned by General Noriega to the meeting. I don't know the details as to how the meeting was organized. I was simply present there with Noriega.

Senator KERRY. Did you arrive with General Noriega?

Mr. BLANDON. Yes, I did.

Senator KERRY. And who was on board the yacht when you arrived there?

Mr. BLANDON. Two men were aboard. One introduced himself as Colonel North. The other one was an interpreter. And there was also a young woman at the other end of the yacht.

Senator KERRY. Had you ever met Colonel North before?

Mr. BLANDON. Never. I had heard about him a lot.

Senator KERRY. General Noriega walked on board with you?

Mr. BLANDON. Yes, he did.

Senator KERRY. Were you introduced to the woman?

Mr. BLANDON. She approached us and introduced herself and then she left the yacht.

Senator KERRY. Would you then describe what took place with respect to the meeting?

Mr. BLANDON. During that meeting, the military situation in Nicaragua was discussed, as well as the regional situation. Colonel North was interested in gaining Panama's support for the Contras, and he particularly requested training assistance in bases located in Panama, something which General Noriega said "Yes" to.

He also requested that the leaders of the Contras be allowed to visit Panama, and Noriega also agreed to that.

Senator KERRY. Do you know how the meeting came to be arranged?

Mr. BLANDON. I have no idea. I know of one Panamanian man who was a friend of Colonel Noth and worked with him. His last name is Cordobes.

Senator KERRY. Is that major?

Mr. BLANDON. He's a civilian.

Senator KERRY. Now, how long did this meeting go on for?

Mr. BLANDON. The meeting lasted approximately 1 hour and 15 minutes, perhaps a bit more.

Senator KERRY. And the only participants at the meeting were General Noriega, yourself, Colonel North, and the interpreter; is that accurate?

Mr. BLANDON. Yes.

Senator KERRY. And during this time the woman you described did what? She remained on the boat?

Mr. BLANDON. Well, she was never present at the meeting.

Senator KERRY. Now, what was agreed to in totality at the meeting? What was the bottom line agreement that was reached at that meeting?

Mr. BLANDON. That General Noriega promised to provide training in specific locations to members of the Contras, training to be provided at bases located in Panama. Colonel North explained to Noriega that there was a law saying that U.S. funds could not be used to train Contras, therefore U.S. bases could not be used. That is, the United States bases in Panama could not be used.

So, that was why he asked that it be done in Panamanian bases, and that was done.

We have a base in Panama called Boca del Torros, another called Banahungla, located in a province close to Costa Rica, that specialized in jungle training. Part of their training was done there and the remainder was done at the Sonomingos Ginan Base, formerly known as School of the Americas, which since 1984 has been under Panamanian control.

Senator KERRY. Did General Noriega ask for anything in return for his support of the Contras?

Mr. BLANDON. At the time he asked for nothing at all.

Senator KERRY. How did the meeting end? It just came to a close?

Mr. BLANDON. Yes. We said goodbye.

Senator KERRY. And then you had another meeting some time later?

Mr. BLANDON. Yes, we did.

Senator KERRY. What were the circumstances of the second meeting? Were you present at the second meeting?

Mr. BLANDON. Yes. I should clarify that I do not know how many meetings Colonel North and General Noriega held. I am speaking of the two that I personally know of. My impression is that they must have met more often, given the manner in which the meetings at which I was present were conducted.

During the second meeting, which was a very short meeting in General Noriega's office——

Senator KERRY. If I could just interrupt you for one second, before we get to that meeting. Was there any discussion about the economic situation in Panama and the need for additional funds or loans at the first meeting?

Mr. **Blandon**. No, that happened during the second meeting.

Senator **Kerry**. Let the record show also that one of the things requested from the White House is the name of the interpreter, the identification of the interpreter who was present at this meeting.

Please continue with the second meeting.

Mr. **Blandon**. During the second meeting, General Noriega proposed to Colonel North that he could help the war in Nicaragua by sending elite units from Panama. These are special expert units in counterterrorism, and that they would conduct terrorist sabotage acts in Nicaragua.

Senator **Kerry**. Where did the second meeting take place?

Mr. **Blandon**. In General Noriega's office, which is located in what was formerly United States facilities in Panama.

Senator **Kerry**. Who was present at that meeting?

Mr. **Blandon**. General Noriega, Captain Corteso, Noriega's translator, Colonel North, and myself—no one else.

Senator **Kerry**. What was the date of that meeting approximately?

Mr. **Blandon**. In October, toward the end of the month.

Senator **Kerry**. What was the time of day?

Mr. **Blandon**. During the morning. I can't recall the exact time.

As I said, General Noriega——

Senator **Kerry**. What was the quid pro quo for what General Noriega offered?

Mr. **Blandon**. General Noriega offered Colonel North, or suggested that Panamanian units could carry out activities on Nicaraguan territory. Colonel North's reply to that proposal was that he would have to consider that proposal was that he would have to consider that and examine it, because he was not authorized to make a decision on it.

And he reminded General Noriega how the public opinion in the United States had reacted to the problem regarding the mining of Nicaraguan ports.

So, Colonel North did not—he neither accepted nor rejected the suggestion. He said he would speak to his superiors about it.

You should recall, Mr. Chairman, that we are speaking of 1985. And as I said yesterday, it was a month later, that is after, President Barletta had left the presidency in Panama. So, there was intense pressure on the part of the Department of State toward Panama.

And we explained to Colonel North the problems that we were encountering, and his very short answer was that he would see what he could do about it. But again, he didn't specify what he would do.

That is why when the meeting with Poindexter took place in December 1985, that is 2 months later, the Nicaraguan problem was not included on the agenda.

Senator **Kerry**. Was there some discussion at that particular meeting about the need for assistance, additional economic assistance?

Mr. **Blandon**. What we told Colonel North was that our country was encountering political and financial problems. That is what he was referring to when he said that he would see what he could do about it.

Senator KERRY. Did you subsequently receive additional financial assistance of significantly increased proportions?

Mr. BLANDON. During 1986, the Republic of Panama submitted a program to international financial agencies. It was a program for economic restructuring of the country. And we received full support for that program. That was in the World Bank and the International Monetary Fund and U.S. AID.

Senator KERRY. Now, did in fact the Panamanian base that had been originally discussed get used for the training of Contra troops?

Mr. BLANDON. Yes, it was.

Senator KERRY. Were there other meetings between Lieutenant Colonel North and General Noriega which took place that you were aware of, but that you yourself did not attend?

Mr. BLANDON. No.

Senator KERRY. No, there weren't, or no, you're not aware of any?

Mr. BLANDON. No, I don't know if they took place. The only meeting which I do recall with the National Security Council was the meeting held on December 17, during which Admiral Poindexter met with Noriega. And with your permission, I would like to explain that meeting.

Senator KERRY. Please do.

Mr. BLANDON. I would like to describe what happened in some detail, so that you can appreciate how at that time there was within the same agency two different positions. On December 17, 1985, Admiral Poindexter met in Panama with General Noriega. During that meeting, Noriega was present with Corteso, who was a captain and acted as interpreter.

On the U.S. side, Admiral Poindexter came with Ambassador Everett Briggs, who is now U.S. Ambassador to Honduras. While that meeting was taking place in Panama, here in Washington there was another meeting at the Executive Office Building in one of Mr. Casey's offices, Mr. Casey being CIA Director.

There was a meeting between Constantine Menges, who was then a member of the National Security Council staff working under Admiral Poindexter, who at that time I think had only been in charge of that organization for about 15 days. So, Constantine Menges was meeting here in Washington, and at that meeting Bill Hecht was present, having been hired by the Republic of Panama. Well, you can see that he had been hired, and duly so, as a lobbyist for Panama.

I think this is important because that meeting was important. Mr. Helsing, who works with Mr. Hecht, and Joel McCleary, who was also present at the meeting because he had been hired by Panama to examine its domestic problems, and it was believed that his knowledge of Panama would help to understand the situation there.

Also in Washington was Maj. Daniel Delgado, who was working in our political intelligence office. But Constantine Menges did not allow him to be present at the meeting.

And during the meeting, Menges told this United States delegation of United States citizens working for Panama the following points. He said that Noriega had to change or make changes in the Defense Forces. Especially, he had to replace the officers who had been involved in Spadafora's assassination; that Noriega had to stop his dealings with the Cubans; that he had to call elections immediately or put Arnufo Arias in power.

And that if all this was not done, the United States would use political, military, and economic pressure on Panama. And this was happening in Washington at the same time that that other meeting was being held in Panama, and it was an entirely different meeting.

Admiral Poindexter went to explain to General Noriega that it was absolutely necessary for him to consider or examine the possibility of having Barletta be brought back to power, or to the presidency, rather. He said that that at the time was the official U.S. State Department policy.

And he also spoke of the need to have a group of officers be sent abroad, outside of Panama, while the situation changed and the attitudes changed regarding Spadafora's assassination.

No mention was made of invading Nicaragua, something which Noriega has said in the past few days, because the problem of the United States invading Nicaragua was not on the 1985 agenda.

Furthermore, the agreements with Nicaragua, regarding assistance to the Contras, had already been discussed by Noriega with Colonel North.

So, now as I explain this, you will also be able to verify this information with a group of United States citizens who were hired by Panama. You would be able to discuss with Mr. Bill Hecht and Mr. Spencer.

Senator KERRY. Who hired them?

Mr. BLANDON. The Government of Panama.

Senator KERRY. Who made the decision to hire them? Was this a Noriega decision?

Mr. BLANDON. Yes, it was. The contract was signed by the president.

Senator KERRY. Excuse me, Mr. Blandon.

Mr. BLANDON. What I'm trying to explain is that when Poindexter's meeting ended, that is in Panama, I received a telephone call from Delgado, who was conveying the information as to what happened in Washington. And then General Noriega met with me to analyze these two different positions.

These were two entirely different positions. And Noriega explained to us what was discussed at the meeting with Poindexter, and I recall that he was very pleased because during the meeting there was no type of criticism of Noriega. Rather, a proposal was put to him for his consideration.

At no time did the meeting seem to be trying to impose or intended to impose anything on Noriega. This is entirely different from what Menges had said. So, we came to the conclusion that the problem was that at the time—that is, in 1985—there were two different U.S. Governments, someone who was waging a war and the other which was actually running the Government.

And we decided to deal with the real Government.

Senator **Kerry**. Which was the real one?

Mr. **Blandon**. The Reagan administration.

Senator **Kerry**. Represented by whom?

Mr. **Blandon**. By the U.S. Department of State.

I have often said that one of the problems we have had to face is that the various U.S. agencies approach our country with different concepts. I have said, describing it in detail, the problems we have had with the National Security Council.

So, you can have an accurate idea of the situation, I have given you names of people you can call to confirm or verify this information. So, if within the same agency you have a director who is expressing one position in Panama and explaining a different position in Washington, you can imagine what happens when you're dealing with different agencies.

The same man, Constatine Menges, several months later was fired from the National Security Council, among other reasons because he was in conflict with Philip Habib. You may recall that in 1986 he, Constantine Menges, accused President Reagan's special envoy. He had already been taken out of the CIA by Director Casey, and he was one of the individuals who subsequently provided information to the New York Times against Noriega.

So, Mr. Chairman, at that time and now, General Noriega is saying, is telling a half truth. At the meeting with Poindexter, Nicaragua was not discussed. But at the meeting with Menges, there was a military threat.

So, if we're going to be objective about this; that is when Noriega speaks now of a threat, he is in fact referring to what did occur at the Poindexter meeting.

Senator **Kerry**. Excuse me. Not the Poindexter meeting, at the meeting with Casey?

Mr. **Blandon**. Yes, correction, yes. At the Menges meeting.

But in the political practice in the ensuing 3 months, the Republic of Panama received from the United States support. Barletta was not put in power. No officers or officials were changed, and we received U.S. support. So, that was the situation.

So, all of this aside, the criminal empire was still operating. And toward the end of 1986, after the New York Times published the accusations, which can be summarized in five points, the empire continued to pressure President Delvalle because he had obtained U.S. assistance and made economic changes. He led the economy of Panama to grow by 4 percent.

But Noriega saw that it was dangerous for a president to truly have power over the government, and in November 1986, as I said in my opening statement, he forced the president to change the government and to nullify the president's power.

And that is when what you know as the severest crisis ever to affect the Government of Panama began.

Senator **Kerry**. Let me just say that some of the testimony of General Gorman regarding the dual-track, triple-track, lack of cohesion, lack of exchange of information, underscores some of what you've just said here.

I'd like to come back for a minute, if I may, to continue the sequence. Was there a time—the second meeting with Lieutenant Colonel North lasted for about how long?

Mr. **Blandon**. Around 35 to 40 minutes.

Senator **Kerry**. Did you ever have a meeting personally with Colonel North after that?

Mr. **Blandon**. Never.

Senator **Kerry**. Did there come a time, however, when you learned that Lieutenant Colonel North asked General Noriega to help him with a plan to blame the Nicaraguans for shipping weapons to the guerrillas in El Salvador?

Mr. **Blandon**. No. In June 1986 when the articles appeared in the New York Times, the long article appeared where five basic charges were made—drug trafficking, double agent, murder of Spadafora, corruption, and electoral fraud—I personally prepared a study, and you may remember and I would also like to clarify that even during these hearings I've never said that I was a member of the opposition. I've always said that I am a member of a government party, and even before these hearings.

I prepared a political draft for Noriega, because I said to him that Noriega's main political advisor during that period was myself.

The person carrying out the public and political analysis of Noriega was myself, so if any lawyer wants now to say that, the only thing that that shows is the political relationship extent of—the political relationship between Noriega and myself.

And I drafted analysis of the New York Times article specifically from the stand that sources for that article. I remember that in that article there were between 17 and 18 statements saying credible sources or reliable sources that will not really reveal their name, et cetera, and since we knew that information or we knew about information regarding the NSC and the CIA, we sort of found—we reconstructed what these New York Times sources were.

Senator **Kerry**. Let us put this in a time period. What is the period of time, now?

Mr. **Blandon**. That was June 1986. I don't remember exactly what day.

Senator **Kerry**. Is this the article by Sy Hersch you are referring to?

Mr. **Blandon**. Yes.

So, out of that analysis, we reached the conclusion that the source of information for the New York Times came from the National Security Council, but, in addition, I did some work here in the United States when there were the Iran-Contra hearings, and I took the trouble of listening to all the hearings and placing the key dates of those hearings.

I'm speaking now of years, months, days when key events occurred, to correlate them with key events in Panamanian history. That was part of the political analysis that we carried out.

And I remember that on a Tuesday I gave Noriega the analysis that I had carried out, saying to him that it was clear to us that there was a coverup operation against us because in May 1986 in Lebanon, McFarland's trip—that is, McFarland's trip to Lebanon—had become public.

You may remember that that was occurring about the same time——

Senator KERRY. Mr. Blandon, I am going to interrupt you here. Let me just say you are losing me a little bit, and I know the story. So, I think we are going to have a harder time getting others to understand exactly what is happening here.

So, if you could try to nail it down a little more precisely.

Are we now leading into the *Pia Vista* incident?

Mr. BLANDON. Yes. What I wanted to show, though, is that 3 days before the *Pia Vista* stopped in Panama, Noriega had that report already that we had prepared, and the day before the *Pia Vista* was stopped in Panama, was captured in Panama—was seized in Panama, excuse me.

Senator KERRY. Excuse me. Where did the *Pia Vista* come from?

Mr. BLANDON. The *Pia Vista* is a vessel or ship, the owner of which is an arms dealer who usually deals with arms and sends them toward Southern Africa; that is, to Mozambique.

Senator KERRY. What is that arms dealer's name?

Mr. BLANDON. I don't remember, but he's the owner of the *Pia Vista*. I don't remember his name, but it's in the newspapers. It's a Danish name, somewhat difficult to remember.

But in any case, the *Pia Vista* had been hired for a purchase of arms in East Germany, in Communist Germany.

Senator KERRY. Who hired the *Pia Vista*?

Mr. BLANDON. At first it was a dealer in Miami, an arms dealer in Miami, Duncan I think.

Senator KERRY. David Duncan?

Mr. BLANDON. Yes.

Senator KERRY. Who instructed Mr. Duncan to hire the *Pia Vista*?

Mr. BLANDON. From what we know, the Peruvian Armed Forces, and that seems pretty logical, because you may know that in the Peruvian Army, all weapons are Soviet-made weapons. Since Alvarado's government, their whole logistics in Peru has been based exclusively on Soviet weapons.

So, these weapons were originally going to Peru, but there was a problem with President Alan Garcia, the military people, and these arms were to be resold.

There were two manifests or shipping invoices on the ship. One was to go toward Peru and the other one to El Salvador.

Senator KERRY. The ship was hired by David Duncan, and it was hired to bring weapons from Eastern Europe; is that correct?

Mr. BLANDON. Yes.

Senator KERRY. What specific weapons was it hired to bring?

Mr. BLANDON. The weapons that arrived in Panama, there was 1,000 AK-47s, over 1,200 RPG-II missiles, and a considerable amount of munitions for both types of weapons in 40 transportation trucks; that is, trucks for transporting troops.

Senator KERRY. These are the weapons and the supplies that arrived on the *Pia Vista* to Panama; is that correct?

Mr. BLANDON. Yes, and which were seized in Panama.

Senator KERRY. These are Eastern bloc; these are Communist-used weapons generally, correct, the AK's and RPG's?

Mr. BLANDON. Made in 1986.

Senator KERRY. Now, it is required in arms shipments that there be end user certificates; is that correct?

Mr. **Blandon**. Yes.

Senator **Kerry**. Two sets of end-user certificates were found on the *Pia Vista*?

Mr. **Blandon**. Yes.

Senator **Kerry**. One destined for Peru?

Mr. **Blandon**. And the other to El Salvador.

Senator **Kerry**. Then what happened?

Mr. **Blandon**. One day before this ship was seized, Noriega told us—and by the way, I should clearly state that we have no information that Colonel North said this. This is what Noriega told us that he said. I want to make that very clear, that that was a shipment which North had made with weapons coming from East Germany, from Communist Germany, so that they show up in El Salvador as if this had been a shipment sent by Nicaragua to El Salvador, and then accuse Nicaragua of transporting weapons.

And then they were going to be sent to the Contras.

Senator **Kerry**. Let me just be clear here. General Noriega personally told you that? Is that accurate?

Mr. **Blandon**. Yes.

Senator **Kerry**. What were the circumstances of his telling you that? Why did he feel that he wanted to let you have that information?

Mr. **Blandon**. You may remember that I said that I had prepared some information analyzing the New York Times article where we had mentioned that the origin of those charges came from NSC, according to our information anyway. I'm not saying that I'm accusing the National Security Council, but I'm saying that that was the analysis we made of that information.

And Noriega said that since this had to do with North, we had to know what was going on. In other words, according to what he said, this was revenge.

Senator **Kerry**. So, Noriega was angry at the appearance of the charges in the newspaper and, as a result, he did something or he said he did something with the *Pia Vista*?

Mr. **Blandon**. Yes. And you may remember that CNN, through Lucia Newman, reported from Panama this event, explaining what I have been telling you about, this double use, dual use that was going to be made. That was the information that we gave her.

So, I'm not saying that North told us that. We have no evidence that he said that. This was information that Noriega gave us.

So, we took those weapons and then publicly exhibited them; that is, we decided to say that anyone who was the owner of these weapons to come and claim them. Obviously nobody showed up, and the weapons are now under the control of the Panamanian Armed Forces.

Senator **D'Amato**. Mr. Chairman, if I might, I would like to ask Mr. Blandon. I understand that General Noriega told you this story, had made a decision as a result of your report, your analysis that he was going to intercept this ship.

Other than Noriega, was there anyone else who would have substantiated or confirmed or lent credence to what Noriega told you? Was there anyone else?

Mr. **Blandon**. No, no one.

What is still confusing to us is that the ship went through the Panama Canal and then returned to Panama. This is something which is still unclear. We do not understand why the ship went through the canal toward Peru but it never reached Peru. At some point it turned back and returned to Panama. That is still very unclear to us.

Senator D'AMATO. Let me ask you. At this point in time, reflecting back, do you believe that Noriega was conveying to you the truth?

I understand this is a judgment you make, and you have qualified your statement by saying that you only heard this from Noriega.

Are you in a position to offer an opinion?

Mr. BLANDON. I think that Noriega was not telling the truth. I think that the weapons were really going to Peru. That is my own opinion.

Because it was strange that the ship would be going to Peru, and then when this was made public, Gen. Adolfo Landon of El Salvador denied that the weapons were going there.

It was clear that doesn't prove anything, because you know that in all secret operations there is always standard procedure. If you are captured or the operation is uncovered, you're not supposed to know everything. When something is revealed, nobody ever knows anything. That is standard.

Senator D'AMATO. Well, I think that you are to be congratulated for clarifying what you know to be the truth, what your sources were, and also I would say obviously I think you are in a position to make some assessments and others of us are just not.

I thank you for your clarity and for stating for the record your opinions or what you know to be facts and what you have heard as hearsay.

Senator KERRY. Let me ask you a couple of questions on that. I am puzzled.

There is a bill of lading for Peru, but there is also an end-user certificate for El Salvador.

Mr. BLANDON. Yes, that is what is still confusing.

Senator KERRY. If the ship were legitimately going to Peru with an end-user certificate for Peru, why would somebody not claim a legitimate shipment? I mean, this is, how much, 40 million dollars' worth?

How much was this weapons shipment worth?

Mr. BLANDON. No, about $10 million.

Senator KERRY. $10 million.

Mr. BLANDON. I have——

Senator KERRY. You are saying that $10 million of weapons with a legitimate end-user certificate is just sitting in Panama today?

Mr. BLANDON. No, they are in the hands of the Panamanians. By law, if you capture goods that are smuggled, after a certain time the goods come into the possession of the government having captured them. That is the law in Panama.

But I'd like to explain one thing that could help you to understand. The problem, the drug problem does not exist exclusively in Colombia. You must know that in Peru, Ecuador, and Colombia they also have the same problems.

My view, and I supposed that you know that a general from the Peruvian police was a friend of Noriega's, was captured, and he was fired from the police because he was involved in drug trafficking.

What I think is that the weapons were illegally purchased by the army; the government was planning to sell them in Peru's internal market, because the terrorist movement in Peru is tied to drug traffic.

When I spoke of the problem, I left aside part of the area that is Peru and Ecuador because it was not the subject of our discussion. But I take this opportunity to say that in the case of Ecuador, just to give you an idea of Noriega's dealings in those areas, in 1986 one of Ecuador's leaders was in Panama in exile.

His name is Adlai Buccaram, and Noriega told us something was going to happen to him. Two days later Buccaram was captured, supposedly holding a kilo of cocaine in his car, and he was incarcerated for 6 months in Panama.

And what had happened, the Ecuadorian Security Services were interested in damaging Buccaram politically. Buccaram is one of the major political leaders in Ecuador, and you must know that in last week's election Buccaram was in second place after Origa Orja in the presidential election, so now the two are going to run for president, and Buccaram may be Ecuador's next president.

And Buccaram fell into a trap that was set for him by Noriega, Noriega trying to help the Ecuadorian Security Service. So, why is Noriega, you may ask, interested in Ecuador? Well, the fact is that part of the raw material used to process drugs comes from that country.

That is why I yesterday said, Mr. Chairman, that it is very important for you to pay great attention to the setting up of laboratories. These laboratories are the new system used to bring in raw material and process it in areas that are not traditionally linked to drug trafficking.

Furthermore, Noriega met with the leader of the Alfaro Vive movement. This is a terrorist movement in Ecuador, and he met with him in Panama. Two days later he told the Security Service of Ecuador that he had met with him and that he was then detained illegally in Panama, sent to Ecuador, and 2 weeks later he was found dead, supposedly in combat.

So, that is the Noriega story.

So, in my view, in the case of the *Pia Vista*, that weapons may have been illegally procured by the Peruvian Army with the intention of providing them also illegally to the drug trafficking apparatus.

You know that in those countries they also produce the raw materials. So, in my view, I think that is the most plausible possibility. I'm saying this on the basis of my political experience.

In addition, you may also recall that in 1985 when Noriega met with Alan Garcia, he worked very closely with one sector of the Peruvian Army and, having seen how drug traffickers operate, you can see that they are mainly penetrating the armed forces because they're the ones who, in practice, have control over the distribution machinery, and they have specific power.

So, my political opinion, as I said before, is that that is how it happened.

It isn't difficult, Mr. Chairman, to falsify end-user certificates. That is one of Noriega's businesses. I told you that with Harari he has that business. So, people who work in these dealings, they make passports, they make visas, and it's very easy for them to issue an end-user certificate.

We saw both certificates, and that confused us. But if you tie all the pieces of this story, you will see that there is evidence, there is proof. I am not saying that it is the same type of evidence we have in the case of Colombia.

But that is why, in my view, it is clear that this problem does not affect Panamanians exclusively. If you trace all the connections I have laid before you, you will see that this goes beyond our country.

Senator KERRY. Which I think, Mr. Blandon, is the real point to be made here, and I appreciate your candor on it.

Who knows, then, what the *Pia Vista* really meant, except that it is obvious it is linked clearly to this trafficking, whether in arms or drugs, and the destabilization is real, no matter what.

No matter where it was going, whether it is El Salvador or Peru, it is RPG–II's and AK–47's and ammunition, and it is illicit. That is part of the problem that we are really aiming at here.

So, I am happy to leave it as a question mark, and I am glad you have been very candid with us about that.

Let me come back, if I can, for a second to a couple of other details.

Joel McCleary that you talked about works with Stuart Spencer; is that correct?

Mr. BLANDON. No. Joe McCleary was hired specifically to deal with Panama's internal situation. You may recall that during the elections they worked with us.

Senator KERRY. I just did not know whether or not you knew that, and I wanted to see whether we could clarify it.

I understand why you hired him. I am just trying to find out what the linkages were of various American interests to General Noriega.

Coming back to yet another issue, you told me that General Noriega traveled frequently to Washington; is that correct?

Mr. BLANDON. Yes.

Senator KERRY. This was during what period of time? From when to when would he travel frequently to Washington?

Mr. BLANDON. Well, Noriega has always traveled to Washington frequently after 1982 or 1983.

Senator KERRY. You told me also that when General Noriega traveled to Washington, he would meet with Mr. Bill Casey of the CIA at his home privately; is that correct?

Mr. BLANDON. Yes, it is.

Senator KERRY. Do you have any idea what sort of frequency there was to that?

Mr. BLANDON. I could not say, but every time there were significant problems, Noriega traveled, and he traveled alone. He traveled with his physician or with perhaps some support staff. But at his meetings with Mr. Casey, he was alone.

Senator **Kerry**. But you know of that specifically from General Noriega? Is that accurate?

Mr. **Blandon**. Yes, and I could even say that in May—no, correction. In September 1985 when I was summoned by Noriega to New York and I told you he was at the Helmsley Palace Hotel, he, after speaking with me, made a telephone call to the CIA, and from what he said, they arranged it for us to leave because we had no problems in leaving.

But he discussed or spoke with somebody at the CIA. What he said to me was that he had spoken with the CIA's big man, and the only big man I know at the CIA at this time was Casey. Whether he spoke to him or not, I cannot say.

What he was trying to do at the time, and he explained this, was trying to find out what was happening in Panama. So, the CIA in September 1985 knew of Noriega's plans.

Senator **Kerry**. Knew of what plans?

Mr. **Blandon**. Well, 2 days later Barletta was replaced.

Senator **D'Amato**. In pursuing that, in addition to visiting Mr. Casey were there any other people in the administration, the intelligence area, et cetera, that he had developed a relationship with, that he had visited here in the United States or who visited with him that he considered or talked about as being close with?

Mr. **Blandon**. He, according to what he said, had working relationships with the person in charge of the Task Force for Central America. I can almost never pronounce his name. Sorry, Delaney or something like that.

It was the person in charge of the task force on the Contra problem; that is, within the CIA. I can't really pronounce names.

Senator **D'Amato**. Are you talking about Dewey Clarridge?

Mr. **Blandon**. Yes, that is the name.

He was in charge of the task force, and he was in charge of overseeing the entire operation, the entire Contra operation in Central America.

There was also a man named Joe Fernandez, who was a key man at the time, and Tomas Castillo, who worked from Costa Rica. His code name was Tomas Castillo.

Senator **Kerry**. With respect to this question of overseeing what was happening there, did you participate in meetings with Elliot Abrams?

Mr. **Blandon**. The only meeting I have had with Mr. Abrams was the meeting—well, I think it was two times but I'm not quite sure. It was here in Washington. We met to discuss the political project and at finding a way out for General Noriega.

I think that General Noriega stated in Panama that I had given Mr. Abrams confidential documents belong to the Defense Forces, documents containing 5-year plans. That is entirely untrue.

Noriega's only reason for saying all of this is to try to compare my situation to Mr. Melendez' situation, who brought documents to the States on the Sandinista forces.

The only document which I brought to Washington was one which Noriega authorized me to bring when I was going to discuss the political plan, and I would like to introduce it as part of the record.

I think that one of the key parts of this document clearly states that there was a request made by Noriega, a request for immunity to be granted in the case of the indictments in both Miami and Tampa. He was asking for immunity in Panama so that he would not be tried.

That was the core of the negotiation, and I would like to introduce this, Mr. Chairman, because I think it's important. The document itself admits guilt on the part of Noriega because he is requesting immunity.

Senator KERRY. Mr. Blandon, could I just ask you to hold on for one second? [Pause.]

I am sorry, Mr. Blandon. Thank you. Go ahead.

Mr. BLANDON. Yes. I wanted to introduce this document as part of the record. It is the only document which I gave to Mr. Abrams during that single meeting which I had with him, and this is a memorandum sent to me by Noriega.

Senator KERRY. Could you identify the document? What is the date of the document?

Mr. BLANDON. October 27, 1987, and the second one is December 9, 1987, just a month and a half ago.

So, I would like to introduce these documents so that you may see, though I don't recall exactly what Noriega said in Panama, but I do know that the only information I have given to Mr. Abrams that I have discussed with him is this project. It's a political plan.

[The documents referred to appear in the appendix.]

Senator KERRY. Were there discussions that you were aware of between Elliot Abrams and others regarding the southern front in 1984–85?

Mr. BLANDON. I believe so, but I have no direct proof of that. I have certain information about it.

Senator KERRY. We are going to take a 5-minute recess here. If we can get the witness up here, I want to go over a couple other things.

We stand in recess.

[Recess.]

Senator KERRY. The hearing will come to order.

I think we should be able to wrap up with Mr. Blandon hopefully by 11:30, I would say, or somewhere in that vicinity, and then we will take a 15-minute break before Floyd Carlton begins his testimony.

The documents which you have submitted were the documents which came about as a result of your discussions recently with the State Department about some solution to the Noriega problem; correct?

Mr. BLANDON. No, that is not the case.

Senator KERRY. All right, would you describe exactly how they came to be? Where are those documents?

Mr. BLANDON. I gave them to someone on your staff.

The documents which I have submitted and which I gave Mr. Abrams contain a Panamanian proposal. It is not a State Department proposal, nor did I go there to meet with him to discuss the proposal. I went to explain the proposal to them.

I must explain, Mr. Chairman, that that proposal was discussed with Latin American leaders, with Panamanian leaders, with General Noriega, with President Delvalle and with leaders within my own party.

And what the proposal contains is a general consensus to solve the problem. I can summarize it very quickly.

It stated that the entire group which appears there would disappear because, without eliminating that machine, it would be impossible to have a democratic process in Panama.

But it is a very generous proposal, because what it proposes is that those individuals are not to be judged in Panama, something which creates a problem for the members of the opposition because in Panama many people want to see those individuals judged. We did not know about that.

But in trying to come to a solution we tried to find the least costly alternative for the people in Panama, and what practice is showing us now is that this criminal empire is not interested in endangering the lives of any Panamanians or any U.S. citizens.

So, the proposal was to give them a way out, and when we spoke with Abrams and later on with the Under Secretary for Political Affairs, Mr. Mike Armacost, we explained this proposal to him, putting it forth as a Panamanian proposal.

They seemed pleased with it, but when I spoke of the immunity problem here in the States—I wish this to be clear—the U.S. administration never promised to do so. The only thing we were told was that they hoped that the proposal could be applied and that they would in due time give us their answer to that effect.

In addition, the proposal set up mechanisms for a free electoral process in 1989; also political reforms, participation by the opposition for having electoral tribunal which would guarantee that both the government party and the opposition parties would be able to engage in honest elections, fair elections.

It also contained an economic plan starting in 1989 and leading on to a transition period to solve the country's economic problems, especially unemployment.

And it also would ask the United States Senate to reconsider on the basis of this proposal and these measures reopening United States financial assistance to the Republic of Panama.

Senator KERRY. The plan essentially then was yours and other leaders' proposals to try to resolve the crisis in Panama, and this plan was put before them.

What was the response to the plan?

Mr. BLANDON. The administration's reaction? Very positive. The problem was that toward the end of the month of December when this group heard of the project, I don't know how this information leaked to them, but they started to pressure Noriega and, once again, the empire closed down that political solution, making it impossible.

Senator D'AMATO. You are just saying, Mr. Blandon, in your opinion, that Noriega may have, left to his own, gone along with this, but the other factions, as you have termed the empire, stepped in and said "No," and then you got that reversal, Noriega stepping away from this and calling you the names and traitor et cetera? Would that be a fair summation?

Mr. BLANDON. Yes, it would.

Senator KERRY. Thank you, Senator.

Now, just tying up some of the facts before we come to the conclusion here, General Noriega hired Tongsen Park at some point to help him in the United States; did he not?

Mr. BLANDON. Yes, he did.

Senator KERRY. Tongsen Park arranged for Admiral Murphy, who was the former head of the South Florida Drug Task Force, to meet with General Noriega. Is that accurate?

Mr. BLANDON. Yes.

Senator KERRY. Would you describe the circumstances of that visit and when?

Mr. BLANDON. Admiral Murphy——

Senator KERRY. When did this take place?

Mr. BLANDON. During the first week of November 1987, during that meeting which took place in Panama and during which Admiral Murphy was with Tongsen Park—I think you know who Tongsen Park is. He is known worldwide.

So, that meeting took place in Panama, and Tongsen Park—let me go back.

Murphy proposed to Noriega a four-point project.

Senator KERRY. On whose behalf was Murphy acting at this point, do you know?

Mr. BLANDON. General Noriega told me that Murphy had said that he was speaking on behalf of Secretary of State Shultz and on behalf of General Powell of the National Security Council.

This happened in November, during the first week of November, and he proposed a four-point plan to Noriega: Free elections; reopening the media; general amnesty; and reinstituting civil rights to our citizens.

They said that if Noriega carried out this plan, he would remain in power until February 1989, but Noriega knew—and this is what Murphy said, and this is what Noriega told me that Murphy said—that in 1988 there would be elections here in the United States and that anything could happen.

I am saying this because at the time we are discussing this political plan and it led to certain confusion in Noriega's mind, because until then it had been clear that the United States Senate and the United States Congress shared a position regarding Panama.

So, the political basis of my arguments which I put forth to Noriega saying it was time to find a solution to the country's problems was that in recent history here in the United States there had been no single case in which there had been such a unanimous position within the Senate as in Panama's case.

So, having this position in the Senate for us meant that the political leaders in the United States were aware of the seriousness of Panama's problem.

But when Noriega met with Murphy, he saw a different view of the problem, and Murphy said to Noriega that in exchange, if Noriega did this, Murphy could obtain several things:

One, that military maneuvers, which, as you know, are conducted in January 1988, would be reestablished;

Two, that he could make it possible that during the visit of Minister Takeshita of Japan to the United States that the President of the United States would obtain assistance from Japan for Panama, because in the case of Panama the Senate had put an end to all assistance. That is where Park comes in. He says that he is very close to the Prime Minister of Japan.

So, when I returned—while I was there in Panama, I got that information from Noriega, and I must say that the General was very honest, and he said that there was sort of two different positions in this connection.

And I came back to the States and I spoke to Elliot Abrams about the problem, and I asked him, "Mr. Abrams, my impression is that we are playing two different games," and Mr. Abrams explained to me that Murphy was not speaking on the administration's behalf, but that the administration had briefed Mr. Murphy just as General Powell had, but that he was not speaking on the administration's behalf.

In addition, Mr. Armacost, in my meeting with him in December, told me that it was not true that Murphy was speaking on behalf of Secretary Shultz. And I told him that what was most alarming was that Noriega's impression was that there were groups in the United States that still supported him.

Afterward, we discovered that there was a group of attorneys also trying to help Noriega; among them, Ambassador Fox, who is a lobbyist in the States. You may have read articles in the Washington Post.

Because Admiral Murphy, when he returned, gave a different version of what he had said. First, he denied having gone there; and then he told one newspaper—I think it was the Post—that yes, he had been in Panama.

So, for us, Mr. Chairman, this led to confusion in our own political process and led us to waste valuable time.

Why were we interested in that political plan? Well, because we knew how serious Panama's problem was, the problem we are facing today. While I am here discussing this matter, the Republic of Panama in the next few weeks is going to face its severest financial crisis, and this is going to deeply affect our people.

So, although this plan seemed to be quite generous, it showed the capacity of the leaders of the opposition who have reason enough to hate Noriega. It showed that they could put the nation's interests above anything else in trying to find a solution.

This is so because for them and for the people who for 6 months have been out on the streets trying to mobilize strength were in the end unable to do so. This is a criminal problem.

If it were a political problem, it would have already been solved. But when we spoke to Noriega, as you said, Mr. Senator, the Noriega command could come to an agreement, but the Noriega who is involved in this criminal empire cannot. And he cannot, because once you have gone into this empire, you are dealing with drug dealers and can't get out.

I must add that in November in Panama, we had information to the effect that the Medellin cartel was already very concerned with Noriega because Noriega was being too visible. He was preventing them from what they call doing business, and they were trying to find a way to eliminate him.

So, the Noriega who you see now who is saying that the southern command has to be withdrawn and who is making all these threats, what he did in our country, he found a new way to create terror and confusion even within his own armed forces.

So, I am saying all of this so that you can appreciate how these dealings with United States citizens who have full right to come to Panama and visit Panama are interfering with our political process.

Later on we read in the press about the result of the discussions which Murphy then did say took place in Panama, but he never said what had happened. He said he had discussed political matters.

But what caught my attention, Mr. Chairman, and has always caught my attention is that Murphy's proposal contained elements of our own proposal.

And on the December 23, a source which Noriega says—and, again, I don't really believe what he says, but he said that it came from a source within the Defense Department, then received an English version of this same document.

Senator **Kerry**. So, in essence, this process that went on through Admiral Murphy would have left General Noriega in place for a period of time. Is that accurate?

Mr. **Blandon**. Yes, and even after the elections.

Senator **Kerry**. It was not until after that failed that there was any movement or discussion of indictment. Is that accurate?

Mr. **Blandon**. Could you repeat the question, please?

Senator **Kerry**. The question of indicting General Noriega for his drug activities did not come about until the failure of these plans which would have even left him in place. Is that accurate?

Mr. **Blandon**. Considered by whom? Considered by whom?

Senator **Kerry**. When you had discussions, you, yourself, made a decision about trying to move on the indictment process. Is that accurate?

Mr. **Blandon**. Yes. It was a personal decision.

Senator **Kerry**. But it was a personal decision that came about after the failure of these plans, after the plan did not get accepted and could not be put into effect. Correct?

Mr. **Blandon**. Yes.

Senator **D'Amato**. I think, Mr. Blandon, the chairman is making the point that you came to a person decision when you saw the withdrawal of Noriega from any consideration, when he denounced the plan, said that this was a traitor's act, that he had no knowledge of it, et cetera.

It was at that point that you made a decision to break, to go public and to be cooperative in the proceedings that have taken place in Miami?

Mr. **Blandon**. Yes, because after the political avenues were closed———

Senator **D'Amato**. So, would you say you saw a hopeless situation for political settlement?

Mr. **Blandon**. Yes, of course, because all alternatives had been eliminated, and my political duty, my ethical duty, my moral duty, and patriotic duty was to not leave our children and their children with the responsibility of having to face a problem that they could not even imagine as far as its magnitude is concerned.

Senator KERRY. Let me ask you. Would not a political solution which would have generally let General Noriega stay in and that did not involve major reform have left the organization of the criminal empire and the international network in place? It would have done that, would it not?

Mr. BLANDON. If Murphy's proposal had been so, yes. But our proposal was not so because we were eliminating all of that, everything which had been negotiated.

Senator KERRY. How did Admiral Murphy get down there to Panama? Do you know? Did he fly? Was that an official Government trip?

Mr. BLANDON. I was told that he came in a large airplane of the Electra type.

Tongsen Park knows Noriega's psychology, how he works. If two people come on a 120-passenger plane, the reason must be an important one, and that is the information I was given. They came alone on that airplane, but it is unconfirmed information.

Senator KERRY. Do you have any information as to whether Tongsen Park was acting on anyone's behalf other than Noriega?

Mr. BLANDON. No.

Senator KERRY. Now, at some point in time did you receive a phone call somewhere around the Grenada invasion? Did you receive a phone call in the middle of the night?

Mr. BLANDON. Yes, I did.

Senator KERRY. Could you describe the circumstances when that took place?

Mr. BLANDON. In October 1983, about 2½ to 3 hours before the United States invaded Grenada, General Noriega called me to say that he had received a call from the Vice President of the United States telling him that this invasion was going to take place and that he wanted Fidel Castro to have this information to the effect that the United States had taken that decision and that if the Cubans——

Senator KERRY. Let me clarify, because I think the language you have used may confuse some.

It is not that he wanted him to have it. It was part of an effort to communicate something specifically, was it not? It was part of an American effort to communicate; is that correct? I will discuss the relevance of this afterward.

What was the purpose of the call? What was the purpose of the communication to Castro?

Mr. BLANDON. The purpose of the communication to Castro was to warn him, warn him that this was going to take place and that if the United States were to have problems in Grenada, Cuba was going to suffer from reprisals.

Senator KERRY. Now did you do something in response to General Noriega's call?

Mr. BLANDON. Yes.

Senator KERRY. What time of day was this?

Mr. BLANDON. About 4:30 in the morning.

Senator KERRY. What did you do in response to that call?

Mr. BLANDON. We called Castro.

Senator **Kerry**. Did you personally undertake to do that?

Mr. **Blandon**. Yes.

Senator **Kerry**. What did you do?

Mr. **Blandon**. First we called Cuban Intelligence in Panama and then contacted Havana and told Commander Fidel Castro that General Noriega wanted to speak to him and that he should call him at a given number which we provided.

And Noriega spoke with Fidel Castro, and in Panama we have an interview with Castro, and one of the things which Castro admitted to Noriega was that the phone call took place—rather, he thanked Noriega for the call and said that he had avoided or prevented many problems.

Senator **Kerry**. So, according to you, Castro was aware this was taking place. Is that accurate?

Mr. **Blandon**. Yes. The Grenada invasion—well, the only thing we didn't know was the time, but it was a known fact that it was going to happen.

Senator **Kerry**. What happened at the conclusion of that conversation? Anything?

Mr. **Blandon**. General Noriega told us that he had conveyed the message, and the result is the result which you know. You know what the outcome was in Grenada.

Senator **Kerry**. So, the essence of the communication was to give a warning to Castro of the dire consequences that would follow as a result of what was happening, not to react adversely, to understand that the United States had specific interests it was going to protect. Is that accurate?

Mr. **Blandon**. Yes.

Senator **Kerry**. Let me assert that the committee fought long and hard about this particular information, and I think that because communications take place all the time in various circumstances, the relevance of it is not necessary the who or to whom but the fact that one of the underlying reasons that this relationship with Noriega has existed and went on and has been important to the United States is the obvious back channel ability to communicate with people with whom we do not have relations and where there are these kinds of things.

Given the nature of the drug cartel and the drug involvement and the criminal enterprise, there is an obvious serious policy question raised by the juxtaposition of the existence of this on the one hand, the criminal enterprise, and the need for that relationship on the other.

It is that relationship that we are trying to get at and the decisionmaking process that led us to be locked into the need for General Noriega in order to communicate to Fidel Castro.

Do you have any comment that you want to make?

Senator **D'Amato**. Well, I think, Mr. Blandon, having indicated this, one of the reasons that I could get in my own mind was the fact that the United States was desirous of avoiding unnecessary confrontation with the Cuban troops that were in that area.

Was that kind of your understanding?

Mr. **Blandon**. Yes. And I thought that this gesture on the part of the United States was a very positive one because they didn't want to have a mass killing.

Anyway, we thought it was a very significant gesture on the part of the United States. We never took it to be something negative. We saw it as a positive gesture and a very humane gesture.

Senator KERRY. I think it is fair to take it in that light, incidentally. I do not think anybody here is trying to characterize it otherwise. I just want to emphasize the relationship that is at the heart of this, though I suppose one sidebar is that Fidel Castro probably knew about it long before any of us.

Senator D'AMATO. I think the chairman has made a very good point as it relates to that relationship that has existed and explains why so many people in the intelligence community and defense establishment, et cetera, have willingly or unwillingly with knowledge looked the other way as this criminal empire has continued to build.

It is because of the various contacts and the duplicitous actions of Noriega in his dealings with many of these people, including Castro, the Cuban connection.

Again, it just reinforces what you have brought to us, Mr. Blandon, how strong and powerful that network has become.

Senator KERRY. Mr. Blandon, in terms of the private aid network association and that relationship, you said you knew Dewey Clarridge. Is that accurate?

Mr. BLANDON. No, I did not say that.

Senator KERRY. I am sorry, then. Could you repeat what you said?

Mr. BLANDON. What I said was that he was one of those who spoke to Noriega.

Senator KERRY. He was involved in what? Do you know what his role was?

Mr. BLANDON. Whose role?

Senator KERRY. Dewey Clarridge.

Mr. BLANDON. He was in charge of the Task Force of the CIA for Central America.

Senator KERRY. During what period? Do you recall?

Mr. BLANDON. Since 1985 and 1986, I believe.

Senator KERRY. What about Mr. Ray Burkhardt?

Mr. BLANDON. I do not know him.

Senator KERRY. Mr. Robert Earl, E-a-r-l?

Mr. BLANDON. I don't know him.

Senator KERRY. Carl Jenkins? Do you know him?

Mr. BLANDON. No.

Senator KERRY. Yesterday you mentioned something that I think is very important to the whole focus of these hearings, and we glossed over it, and I would like you to perhaps deal with it for a minute.

You said that drug money was being used to corrupt democratic elections. Do you have any specific examples of that?

Mr. BLANDON. Could you please repeat the question?

Senator KERRY. If I heard you correctly, yesterday you talked about the corruption of the democratic process and specifically said that drug money is being used even in elections; it is getting involved in the election process.

I wonder if you are able to share any specific examples of that with us.

Mr. **Blandon**. Well, Panama is one of them.

Senator **Kerry**. Do you have any knowledge of any other countries?

Mr. **Blandon**. Colombia is another one.

Senator **Kerry**. Do you know, for instance, whether drug money was involved in the Guatemalan election last time?

Mr. **Blandon**. I couldn't say.

Senator **Kerry**. More specifically to the question of countries and their subversion, what can you say?

You discussed some of the drug corruption in Honduras. Has the drug cartel in fact moved into Honduras in a major way that you know of?

Mr. **Blandon**. Yes, I believe so.

Senator **Kerry**. When you say "believe so," is this opinion, or do you have some knowledge that leads you to believe so?

Mr. **Blandon**. The colonel who was detained in Honduras—he was not detained, rather. The colonel in whose car Ochoa was arrested, a friend of Noriega.

Senator **Kerry**. That was an $80,000 Porsche; correct? This is the colonel in the Honduran force, military attache?

Mr. **Blandon**. Yes. The same position that Col. Medo Gorbura occupied when he was precluded by the cartel.

Mr. Chairman, the procedure used by the cartel is very similar to the procedure used by intelligence agencies when recruiting individuals who they think are important in a given political or military structure. That is a danger which I bring to your attention.

In the military case, they don't attack the lower ranking officers. They go to the high-ranking officers. That is how it happens in the military, and such is the case in Honduras.

Senator **Kerry**. Were you aware of the Martin and McCoy arms sort of supermarket that existed in Honduras?

Mr. **Blandon**. No.

Senator **Kerry**. You have no awareness of it? You do not know whether or not General Noriega had any interest in that arms operation in Honduras?

Mr. **Blandon**. I have no information about that.

Senator **Kerry**. Did you have occasion to meet with General Secord?

Mr. **Blandon**. No.

Senator **Kerry**. Are you familiar with the operations of INNAIR?

Mr. **Blandon**. INNAIR is an airline company which for a time was owned by Mr. Richard Bolonick, who appears on the chart.

In 1984 the company was purchased by the Medellin cartel, by Pablo Escobar to be more precise.

On June 15, 1984, INNAIR aircraft, one plane was captured in Miami. It was seized when it was carrying one of the largest cocaine shipments. I think it was 500 kilos which were hidden inside refrigerators carried by the plane.

And this operation was directly directed by the Medellin cartel. So, they purchased INNAIR.

Senator **Kerry**. Was it used very extensively for shipment of drugs and money laundering?

Mr. **Blandon**. Yes.

Senator **Kerry**. Do you know when that stopped, if it did?

Mr. **Blandon**. When the plane was captured and the United States interrupted or forbade airline from traveling to the country. It happened about June 15, 1984.

[Pause.]

Senator **Kerry**. Mr. Blandon, one of the issues that arose in the whole question of decertification a year ago was the question of the mutual legal assistance treaty.

You know what that is; correct?

Mr. **Blandon**. The treaty whereby the Republic of Panama and the United States pledge to combat drug trafficking?

Senator **Kerry**. Correct. That involves major money laundering and other restraints; does it not?

Mr. **Blandon**. Yes.

Senator **Kerry**. Panama has not signed that treaty with the United States; has it?

Mr. **Blandon**. That is right.

Senator **Kerry**. Can you explain to us what the problem has been with respect to that?

Mr. **Blandon**. Well, right there. You see them on the chart.

Senator **Kerry**. I just want to have it as part of the record, because we received, as you know, certification. Maybe you do not know, but it was a point of considerable debate here in the Senate as to whether or not there was full cooperation.

Many of us argued that it was impossible to be fully cooperating if the treaty had not been signed when it was there and important.

You are saying that a principal reason that it has not been signed is simply that it is essential to the process of keeping the drug operation going. Is that accurate?

Mr. **Blandon**. Yes. Contrary to the legal assistance treaty, Panama proposed in the law of 1986 which deals with banking secrecy and which began with the Pisces Operation which I described, saying that I thought it was a joke.

Because the system which handles millions of dollars which circulates illegally and in the system only $18 million were captured in an operation that was supposed to put an end to money laundering.

So, there are very large interests. But we said, and you can see this from the very beginning in our political plan designed with Trujillo. It would only be a process whereby power would alternate, could guarantee stable relations and democratic relations.

Senator **Kerry**. Are there any problems that you could let us know about or make us aware of with respect to the DEA enforcement ability in Panama or elsewhere?

Mr. **Blandon**. It's a very difficult question. I believe that the DEA, which is in charge of combating drug trafficking, faces a problem which is much larger than they believe it to be, and the risk they run in operations of this type with empires such as this one is very high.

But in the specific case of Panama there are political interests which have interfered with the DEA's routine at work there.

If you speak with the DEA, they usually tell you that, yes, there is cooperation. When you need to get a North American, they get him. But if you ask them, "Have you been able to really hit your target as far as drug traffickers are concerned," that they will answer "No."

Because, Mr. chairman, this is a problem which is outside of the DEA's hands, and that is what I have tried to make clear during these past 2 days.

If you truly wish to tackle this problem, it is no longer a DEA problem. It is a problem which the presidents of Latin American countries themselves are going to have to address, and the United States will, in our opinion, have to reexamine its approach to combating drug trafficking.

So, in my view, it is unfair to overload a U.S. agency with a problem such as this one, which is not only affecting the United States but also the Senate, Congress, and people of that country and all our peoples.

Many of these agents risk their lives, sometimes without even knowing the monster they're going to encounter.

We, Mr. Chairman, adopted the very same decision. If you look at the statements I have made here, and if you make a list of your or my potential enemies, you will realize that your only allies in that list are our own people.

We have spoken of drug trafficking, we have spoken of terrorism, we have spoken of Cuba, of Nicaragua, of the involvement of the military and those problems, of the clout that the drug dollar has. So, how many enemies have we made for ourselves?

But what are we trying to tell the people of Panama and the people of the United States? That this is not your everyday dictatorship. This is a new type of political, economic, and financial power. One which can even have an influence here in the United States.

So, I think that that is the key point, Mr. Chairman. And if these hearings are to be worthwhile, I think that we would at least need to create an awareness of this problem. Panama's situation after the indictments were made against Noriega has changed.

Our country has a new attitude, but now the United States has a moral duty with Panama. We are not strong enough to change the structure. And we will see as we proceed that there will be forces within the United States that are going to be more interested in analyzing my credibility as a witness rather than trying to grasp that what is really in jeopardy, what we are talking about, is the lives and the future of millions of young U.S. citizens who are destroyed by drugs. Those who will later on perpetrate criminal acts and will be corrupt.

So,hat is really in jeopardy here is the national interest of the United States. Never before in Panama have we been in such peril as we are today. Sometimes it is even hard to believe that this empire can exist.

But unfortunately, it is a fact which is clearly seen in our country. Panama is a country where this has become one of the bases for one of the most criminal businesses ever seen in the life of mankind.

So, we all have taken a risk, all Panamanians have taken this risk, and I would like to urge the U.S. authorities that if our witness or testimony here has been offensive, that has not been our intention.

We have told the Senate what in our view is the truth and nothing but the truth. We have tried to avoid to bring in political or ideological issues into play to solve a problem such as this one.

You will see that when you hear other witnesses. You would not believe how far this problem has gone. We now that in the ensuing weeks much criticism is going to come forth, because we are not fighting against a political enemy, we are fighting a financial interest worth millions and millions of dollars. And that is reality.

So, we should not blame the DEA for what they can or cannot do. The problem goes much beyond that.

Senator D'AMATO. Mr. Chairman, I will tell you, in my opinion's conclusionary remarks and analysis, it relates to the effectiveness of the DEA or any other group and the totality of the problem, the scope and the profound impact on all of these countries in the region and our own, is one of the most profound.

And I dare say, I had some questions that I was going to put to Mr. Blandon dealing with Mexico; for example, where I think you have a situation that is analogous, if maybe not even worse with some of those provinces.

And here is a country that shares a 1,900-mile border with the United States. Vast regions where one cannot tell the difference or distinguish between whether you are in the United States or Mexico. That country is seething with revolution and has been really totally captured, whether we want to admit it or not, by the drug forces.

So, I am not going to ask him to go into it because I do not want to denigrate from that. But I would hope that rather than look at just the more sensational aspects, the more attention-getting, that we would focus in everyone on what I believe Mr. Blandon has put brilliantly. What is the real threat and the danger and an analysis that it is just so easy to put it on a particular agency.

And it comes back to where is our motivation, what have we done in the Congress, what have we done to challenge the administration constructively, not in a negative sense, to marshal our resources, educational, prevention, law enforcement, army, intelligence, all of the resources of this Nation. Particularly to get the facts out.

Let people see what the facts are, and then move on this. And not just before an election, and then put it on the back burner. So, Mr. Blandon, I simply want to again express my appreciation and commend you and say that there is no doubt in my mind that there are busy analysts looking now to see if they cannot show something at variance, and indeed they may very well.

After hours and hours and hours of testimony that you have given from the best of your recollection, looking at Noriega and his forces, to do that, some within our own institution who are so blinded by the pettiness by their own failure to recognize the bigger picture that they will just seek to pull apart and discredit, as opposed to look to the overall, which you have spelled out so cogently. And I thank you.

Senator KERRY. Mr. Blandon, I join Senator D'Amato in expressing our gratitude for you and for your testimony. There will be some subsequent questions that we do want to ask you, and in particular I want to talk to you about a couple of areas.

We will do that in executive session. We have talked about it somewhat up until now. I thought that it was not appropriate to do it in open session. And we will continue that in executive session at a later time.

You know, it is too early for summary statements, and to really draw together where we are here. But this is the Subcommittee on Narcotics and Terrorism. They are supposed to be different subjects. But I think what you have helped us to understand is they are really not different at all.

Narcotics trafficking is a very real form of terrorism. And increasingly terrorists are using it as the principal means of funding their operations.

I met with Judge Webster of the CIA about a month ago or so to talk about this a little bit, and he has expressed his understanding that this is an increasingly factor in life, and something that has got to be paid more attention to.

You have described one country's network. If people doubt the terrorist linkage, and I am reminded that the Mayor of Nablus on the West Bank in Israel stood up once and tried to stand for peaceful resolution of the process there. He was assassinated the next day.

Hugo Spadafora decided to stand up and say what was going on in Panama, and he was assassinated. And countless others have been assassinated. I think you said that half the pilots for General Noriega are dead today in violent deaths of one sort or another.

I commented yesterday that 44 people have been killed in the streets of Washington, the most recent just yesterday in a hail of bullets on a southeast street corner. In New York City Senator D'Amato has lived with it there for a long time. And in all our cities we have lived with it.

So, I want to thank you for helping us to understand the network, understand what is happening in a region where we have talked about being concerned with the stability of the country, and yet we have obviously taken actions ourselves which have permitted a greater, more rapid destabilization that might have been affected by the very policies we were trying to prevent from being implemented.

But that has got to make us stop and think about how we are approaching these issues. And I hope, I do not know, but I hope these hearings are going to help to get us to do that and to talk about how we get the DEA the support systems it needs, how we support a number of very brave, courageous law enforcement officials who risk their lives in these efforts, who are really swimming upstream and climbing uphill. And I hope we are going to do that.

We are going to continue with the testimony of pilot Floyd Carlton. It is 11:30 now. I think what we will do, given the problem with the marshalls, exiting one witness and bringing another witness in, and given the hour and then the need to break for lunch, I think what we will do is break for lunch now and reconvene at 1 o'clock. So, we stand in recess until 1 o'clock.

[Whereupon, at 11:34 a.m., the hearing was recessed, to reconvene at 1:12 p.m., the same day.]

AFTERNOON SESSION

Senator **Kerry**. The hearing will come to order. Let met explain, obviously I think it would be the preference of everybody, with the exception of the witness, to be appearing without a hood. I know the witness is uncomfortable with the hood on. But under the regulations of the Federal Protection Program, it is mandatory that he appear in this fashion.

The witness, Floyd Carlton, is currently within the protective custody of the U.S. Federal Protection Program, and he appears as a consequence of that, under writ from the committee, from the full Foreign Relations Committee.

Our interpreters are the same interpreters, and they continue under oath. Mr. Carlton, I would ask you to stand, and please, would you raise your right hand please?

Do you promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. **Carlton**. I do.

Senator **Kerry**. Are you picking up the Spanish translation? You are? Can you move close to the microphone and move the microphone close to you? Thank you.

Would you state your full name, please, for the record?

STATEMENT OF FLOYD CARLTON

Mr. **Carlton**. My full name is Floyd Carlton Casides. I am 38 years old. I was born in the city of Panama.

Senator **Kerry**. Mr. Carlton, I want to state very clearly for the record here, and for you to understand before we proceed, that your testimony here is important testimony. You are sworn under oath now, which carries the pains and penalties of perjury if you do not tell us the truth.

And I want you to understand very clearly that the committee will be very serious about prosecuting that, should we find that at any time you have not been fully candid with us. Do you understand that?

Mr. **Carlton**. Yes, I do.

Senator **Kerry**. What is your educational background?

Mr. **Carlton**. I graduated from pilot school in the city of Panama. I finished the first cycle, I do not know what that is equivalent to.

Senator **Kerry**. What type of aircraft did you become qualified to fly?

Mr. **Carlton**. Bimotor, with instruments.

Senator **Kerry**. How long have you been in the Federal Protection Program at this time?

Mr. **Carlton**. Approximately 7 months.

Senator **Kerry**. When you were living in Panama, did you come to know Gen. Manuel Noriega?

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. When did you first come to know him?

Mr. **Carlton**. In 1966.

Senator **Kerry**. And did you know him continually through the 1970's until 1982?

Mr. **Carlton**. Yes, sir.

Senator KERRY. During the period 1980–81, how much contact did you have with General Noriega?

Mr. CARLTON. Could you please repeat the question?

Senator KERRY. During the period 1980–82, did you have a lot of contact with General Noriega?

Mr. CARLTON. Yes, sir.

Senator KERRY. In what context?

Mr. CARLTON. At that time, I was flying with him, I flew about four times in 1982 with him. And one of those occasions I proposed a business deal to him, to the effect a business that had been proposed to me by some people in the city of Medellin in Colombia. This deal involved transporting drugs; that is cocaine, from the city of Medellin in Colombia to Panama.

I at that time told General Noriega, who at the time was a colonel, second grade, in the Panama forces, and I explained the deal to him.

Senator KERRY. Before we go to that, I want to go into some more detail about how you went to Colombia and how that came about.

But let me come back for a minute. You knew General Noriega well enough that you knew his lifestyle. Is that accurate?

Mr. CARLTON. Yes, sir.

Senator KERRY. Before we go too much further, I would just like to establish some of the things you knew about him. Can you describe the lifestyle of General Noriega to the committee?

Mr. CARLTON. Well, I have known General Noriega since 1966, as I said before. He was always known to be a somewhat, well, I cannot really explain exactly, I do not know what words to use to express it.

But during the entire time, I did develop friendship with him. During 1977, that friendship became quite close. As a result of our trips together, taking weapons to Nicaragua. I could say that his lifestyle is typical of people in Panama. He likes fancy cars and other such things. He has a fairly flamboyant lifestyle.

Senator KERRY. Do you know what his monthly salary is? His official salary?

Mr. CARLTON. It would be about $2,200 or $2,500 a month.

Senator D'AMATO. Mr. Chairman, I am wondering if we might ask the witness during what period of time and what frequence was he taking those trips to Nicaragua carrying arms with the General? How often was that, and what period of time did that take place?

Mr. CARLTON. I would like to be clear, I never flew with the General to Nicaragua. When I say "we," I mean there was a group of pilots in Panama who flew carrying weapons to Nicaragua to help the Sandinistas at the time. That was from 1978 to 1979, even starting in 1977.

But at the time, Lieutenant Colonel Noriega did not fly with us to Nicaragua.

Senator D'AMATO. But was he involved in this operation? To what extent?

Mr. CARLTON. Well, he OK'ed, he approved the trips. He was the chief of security of Panama.

Senator Kerry. If you could continue on the question I asked about his salary. His official salary you said was what?

Mr. Carlton. Approximately $2,200, $2,500 a month, not more.

Senator Kerry. But he lived very well, beyond that salary; did he not?

Mr. Carlton. Yes, sir.

Senator Kerry. And the money that he lived on beyond that salary came from the criminal enterprises. Is that accurate?

Mr. Carlton. Yes, sir.

Senator Kerry. How many homes did he have?

Mr. Carlton. Well, that I knew five and several apartment buildings.

Senator Kerry. And did you hear of homes beyond the five that you personally went to and knew of?

Mr. Carlton. Yes, sir.

Senator Kerry. Do you know how many cars he has?

Mr. Carlton. I saw about seven cars.

Senator Kerry. Can you describe them? What kinds of cars?

Mr. Carlton. Yes. He had two BMW's, model 735, one Corvette, a collector's item valued at $50,000. I think he told me that, in 1982. And a Wagoneer, Grand Wagoneer stationwagon; and a van equipped with all the luxury items.

Senator Kerry. What about airplanes?

Mr. Carlton. Well, he never has owned airplanes personally. The airplanes always appear as being registered to a different person, while he in fact is the owner. He had a Piper 502, a Lear jet 35, and a Lear jet 25 back in that year.

Senator Kerry. Now, you say that in 1982 or thereabouts you became involved in a business deal. Is that when you traveled to Colombia, to Medellin?

Mr. Carlton. Yes, sir, in drug dealing. Is that what you're referring to?

Senator Kerry. Yes.

Mr. Carlton. Yes, it was in 1982.

Senator Kerry. Will you describe what took place?

Mr. Carlton. Yes. Around the month of June or July 1982, an individual came often to our offices in Panama at the Paitilla International Airport, had on several occasions told me he wanted to introduce me to some very powerful individuals from Colombia.

The deal which he proposed was that I would take money from the United States to Panama. They had seen that we enjoyed a certain type of "immunity."

Senator Kerry. Where did that immunity come from?

Mr. Carlton. From Col. Manuel Antonio Noriega.

Senator Kerry. So, what did they propose to you?

Mr. Carlton. Well, I went to the city of Medellin, Colombia, and I was there introduced to the gentlemen, members of the Medellin cartel. And I met with them.

Senator Kerry. Who were the members you met with?

Mr. Carlton. Mr. Pablo Escobar and Mr. Gustavo Gavera.

When I asked them what the business, what the deal was, they said—or they asked me what the individual who had approached me in Panama had offered, and I said, rather, that it was to take money from the United States to Panama. And they said, "No, that the deal involved carrying cocaine from Colombia to Panama."

I then told them that I was not interested in that line of business, that I could not do that, and they would have to consult—I would have to consult, rather, with Noriega. And they said, "Go ahead, ask Noriega."

Senator KERRY. Now, at that time did Pablo Escobar say to you that he had had a problem with Noriega?

Mr. CARLTON. Yes, he did. He mentioned that a ship carrying 800 kilos of cocaine going to the free zone in Colon had been seized, and that he had been forced to pay to redeem the ship and the crew. This cost him about $1 million, but that he had not been able to recover the drug.

Senator KERRY. And this was paid to General Noriega?

Mr. CARLTON. Yes, sir.

Senator KERRY. Now, what happened in the discussion then? You said you had talked to Noriega. What then took place?

Mr. CARLTON. No, I did not say I had to speak to Noriega. I said that I had to consult the business deal, and then they said, "Well then, ask Noriega." And then I said "No." I said that I was not going to speak with Noriega.

Senator D'AMATO. Mr. Chairman, I am wondering if we couldn't step back just for the purposes of continuity.

It seems that at first you were introduced to the Colombia drug cartel by someone by the name of Francisco Chavez Hill; is that true?

Mr. CARLTON. [Nods affirmatively.]

Senator D'AMATO. When did you first travel with this Chavez Hill to Colombia?

Mr. CARLTON. Well, his name is Francisco Chavez Hill, and I went to Colombia with him about the month of June 1982.

Senator D'AMATO. Where did you meet him the first time? How did you meet Mr. Hill?

Mr. CARLTON. As I said previously, he used to visit our offices at the Paitilla International Airport fairly frequently. He would lease our planes on a charter basis to travel to Medellin and that is how I met him.

Senator D'AMATO. Then he is the person who brought you in to meet this Gustavo Gavera?

Mr. CARLTON. Yes, sir.

Senator D'AMATO. Please continue with your story. I just wanted to get that.

Senator KERRY. After you had the discussion in Colombia, you didn't accept the deal at the first discussion? You came back to Panama; is that correct?

Mr. CARLTON. Well, I told them that I had to consult, to see if I could do that. And I returned to Panama, and on one trip which I made with Colonel Noriega, who was colonel at that time, I mentioned their proposal to him.

Senator KERRY. You were flying General Noriega somewhere in Panama?

Mr. CARLTON. Yes, that is correct.

Senator KERRY. And during that flight you told him about the proposition in Colombia?

Mr. CARLTON. Yes.

Senator KERRY. And at first, General Noriega got mad with you because you had talked to them on your own; is that correct?

Mr. CARLTON. Yes, sir.

Senator KERRY. And then you thought nothing of it for what, about 2 weeks?

Mr. CARLTON. Yes. I didn't even bring up the subject until about 2 to 3 weeks later. I can't recall exactly. He called me and I went to a sort of party which he was having at one of his homes.

Senator KERRY. What is "a sort of party"?

Mr. CARLTON. Well, it is a meeting at which some friends were present and they were having drinks.

And he asked me what had happened with the deal which I had proposed to him.

Senator KERRY. Which home was this at?

Mr. CARLTON. It is a house in the San Francisco neighborhood of Panama City.

Senator KERRY. Does it have a name? Is that La Playita?

Mr. CARLTON. Yes, it is.

Senator KERRY. What did General Noriega say to you there?

Mr. CARLTON. As I said previously, he asked me what had happened with the deal which I had described to him. And I said that I had forgotten about it, as he had suggested I do. I didn't want to discuss the matter further.

He then said: "Well, find out what the deal really consists of, and then you can talk to me about it and see if we can go ahead with it, but as usual, I don't know anything about it. Don't use Panamanian aircraft. We don't want to have a case like the case that happened in El Salvador."

Senator KERRY. This is General Noriega talking, saying as usual "I don't know anything about it, we don't want to have another case like what happened in El Salvador"; is that right?

Mr. CARLTON. Yes. He was then a colonel.

Senator KERRY. We'll come back to the case in El Salvador, but I want to continue here. What did you do then? You went back to Panama—excuse me, back to Colombia?

Mr. CARLTON. I made an appointment with these gentlemen in Medellin again, and my mission was to find out what the deal really consisted of. I had to find out what Mr. Noriega, Colonel Noriega, would have to do, what his role would be, and then see how the operation was to proceed.

Senator D'AMATO. Was part of that finding out how much money the Colonel could earn? Wasn't that part of your mission?

Mr. CARLTON. Yes, of course.

Senator KERRY. What did you learn?

Mr. CARLTON. They explained that I would have to travel with a group of individuals that they would select and visit different airstrips in Panama, airstrips that were safe, considered safe, to land drugs, and that I had to show these individuals who were going to receive the shipments where the landing strips were where they had to go to receive the shipment.

In other words, the details needed to make the trips and to make the deal. After we wrapped up all the details, they said that I could tell the person who had approved the deal that they would offer him about $20,000 or $30,000. I can't recall the amount exactly.

And to be honest with you, I had no idea of the amount of the dollars that could be earned in that type of business. They said they would pay me $400 for each kilo and that the person who had given the permission—of course they were referring to Noriega, but we always denied that he was involved.

Senator KERRY. Who did you meet with the second time?

Mr. CARLTON. With Mr. Pablo Escobar.

Senator KERRY. Anybody else?

Mr. CARLTON. There were other men present, but he told them to leave the office. I believe Mr. Gustavo Gavera was also present.

Senator KERRY. And this took place where in Colombia?

Mr. CARLTON. In the city of Medellin.

Senator KERRY. Did you subsequently travel back to Panama with the Colombians to check out those airstrips?

Mr. CARLTON. Yes, I did.

Senator KERRY. Who owned those airstrips?

Mr. CARLTON. The government.

Senator KERRY. How much did General Noriega tell you specifically he wanted in amount of money for the use of those strips?

Mr. CARLTON. When I told him that I had spoken to these men and that we had reached an agreement, I told him that they were going to give me about $30,000 for him, and he laughed and he told me that if these people thought that he was begging that they were wrong.

And so I asked, how much do you want? And he said: "I won't take less than $100,000 for the first trip, and I want that in advance."

I then relayed the message to the men in Colombia.

Senator KERRY. How did you relay the message?

Mr. CARLTON. By telephone.

Senator KERRY. And who did you call?

Mr. CARLTON. Mr. Escobar.

Senator KERRY. What was his reaction?

Mr. CARLTON. Well, at first he smiled and he was apparently expecting that reaction.

Senator KERRY. When you say "smiled," you were talking to him on the telephone. Did he laugh? Do you have special telephones down there that we don't have?

Mr. CARLTON. No, sir.

Well, laughing is more than smiling, so I think you can tell when somebody is laughing. You can hear it over the telephone. We don't yet have screens in Panama so you can see the person is actually smiling.

Senator KERRY. What did he say to you with respect to Colonel Noriega's request?

Mr. CARLTON. He said it was fine, that we could discuss it when he returned to Colombia.

Senator KERRY. Did you confirm to him that General Noriega had control over those airstrips and that this had to be done in order to run the drugs through Panama?

Mr. CARLTON. At no time, and I repeat this, did I admit to them that it was indeed Colonel Noriega. When I spoke to them I said there was someone who was authorizing me to go ahead with these operations. They knew it was Colonel Noriega, but I never admitted it. It was a sort of game.

Senator KERRY. Was there any operation like this that could be carried out in Panama at that time without the support of General Noriega, Colonel Noriega at the time?

Mr. CARLTON. No, sir.

Senator KERRY. He was essential to any kind of money laundering, any kind of drug running whatsoever? His approval, without it you couldn't do it; is that accurate?

Mr. CARLTON. That is correct, if you wanted to have any type of security; yes.

Senator KERRY. Now, what is the type of security that one would receive in exchange for paying General Noriega?

Mr. CARLTON. It depends on the deal specifically.

Senator KERRY. Each deal is different?

Mr. CARLTON. Yes, sir.

Senator KERRY. Did you personally fly drug planes between Panama and Colombia?

Mr. CARLTON. Yes, sir.

Senator KERRY. At what period did you do this? After this deal was made?

Mr. CARLTON. If you mean drugs, from the first to the third trips were in my hands. I flew the planes, with a Colombian pilot.

Senator KERRY. And was that the only other person who accompanied you on those flights?

Mr. CARLTON. Yes, sir.

Senator KERRY. Where did the flights leave from?

Mr. CARLTON. The first flight left from an airstrip that is to the northwest of the city of Medellin. The second one left from the ranch owned by Mr. Pablo Escobar. It's called Hacienda Napolis. And the third one left again from El Capital.

Senator KERRY. How much drugs did you bring into Panama on these flights?

Mr. CARLTON. Well, they said there was 400 kilos. But when you have flown for a long time, you know when the plane is overloaded, when you have exceeded the limit. So, I would say that it was more than 400 kilos on each flight.

Senator KERRY. How much did you collect, your money, on those flights?

Mr. CARLTON. As I said, I received $400 per kilo.

Senator KERRY. What was General Noriega's cut?

Mr. CARLTON. On the first flight, $100,000. The second, $150,000; and the third, $200,000.

Senator KERRY. Did you personally pay that money to him?

Mr. CARLTON. Well, I would call him to tell him that I had his money and he would send his assistants to pick it up.

Senator KERRY. How many flights between Colombia and Panama were there that you were involved in?

Mr. CARLTON. Four flights.

Senator KERRY. How much would the cocaine of 400 kilos have been worth in the United States at the time you flew it; do you know?

Mr. CARLTON. I have no idea, sir.

Senator KERRY. The cocaine that came into Panama was destined to go on to the United States; correct?

Mr. CARLTON. At the beginning I did not know that, but then I found out that indeed it was coming to the United States.

Senator KERRY. Do you know where it went into in the United States?

Mr. CARLTON. Miami.

Senator KERRY. Who owned the drug planes that you flew?

Mr. CARLTON. Mr. Pablo Escobar.

Senator KERRY. Did the G-2, the intelligence of Panama over which Lieutenant Colonel Noriega presided, ever capture drug planes and then use them?

Mr. CARLTON. Yes, sir, but not in my case.

Senator KERRY. Now, who is Cesar Rodriguez?

Mr. CARLTON. Cesar Rodriguez was a colleague and partner in the airline business.

Senator KERRY. A colleague and partner of yours?

Mr. CARLTON. Yes, that is right.

Senator KERRY. When did you go into the airline business with Cesar Rodriguez?

Mr. CARLTON. In 1978.

Senator KERRY. Did you know him before that?

Mr. CARLTON. Yes, sir.

Senator KERRY. How long had you known Mr. Rodriguez?

Mr. CARLTON. I could not say with accuracy, but since we were teenagers.

Senator KERRY. And you knew in the 1970's when you went into business with him that he was involved with General Noriega, not then a General, but you knew he was involved with Noriega?

Mr. CARLTON. Yes, I did.

Senator KERRY. The business that you established did what?

Mr. CARLTON. We made special charter flights. We sold parts for aircraft.

Senator KERRY. And originally you and Cesar came to have dealings in the aircraft business during the Sandinista effort against Somoza; is that accurate?

Mr. CARLTON. Yes, sir.

Senator KERRY. After the fall of Somoza, you and Cesar Rodriguez continued in business together?

Mr. CARLTON. Yes, sir.

Senator KERRY. Did you continue to sell arms?

Mr. CARLTON. Do you mean me personally?

Senator KERRY. Yes.

Did you ship arms? Did you continue to fly arms?

Mr. CARLTON. Yes.

Senator KERRY. Were the officials in the government and the Defense Forces of Panama aware of your activities of flying arms?

Mr. CARLTON. Only the intelligence group did.

Senator KERRY. And who specifically in the intelligence group?

Mr. CARLTON. Colonel Noriega and his aides.

Senator KERRY. What kind of a person was Cesar Rodriguez? How would you describe his lifestyle?

Mr. CARLTON. Well, Cesar was a very well-mannered young man. He was single. He spent a lot of money, but he also made a lot of money, perhaps too much. He liked to live well, and let's say he had the spirit of adventure.

Senator **Kerry**. Do you know how he made his money?

Mr. **Carlton**. Well, at first we were both pilots, as I said, and we worked as such. Then we began gunrunning to El Salvador—correction, to Nicaragua, and some flights to El Salvador. I distanced, or rather, I separated myself from Cesar and Colonel Noriega. I was somewhat distanced from the two of them because I did not like to appear in public with them because of what they stood for to the public.

Senator **Kerry**. Would you describe the relationship of Cesar Rodriguez to General Noriega?

Mr. **Carlton**. Yes. They were very, very close friends. They owned companies together, and they set up a club which was called the Officers Club, and it was located in the penthouse of the Bank of Boston. It cost $1,000 to become a member, and they only had 100 members. In order to purchase that penthouse, Noriega authorized the general manager of the bank to give Mr. Rodriguez the loan, to grant him the loan.

Senator **Kerry**. Did the arms that you were shipping, or some of the arms that you were flying come from from Mr. Harari?

Mr. **Carlton**. I could not say if they came from Mr. Harari. Colonel Noriega would send us to meet with individuals and instructed us to make the deals with them, but he never told me or mentioned Mr. Harari to me.

Senator **Kerry**. What about Mr. Krupnick? Are you familiar with his name?

Mr. **Carlton**. That is one of the individuals I have referred to.

Senator **Kerry**. Now, you said that your company was involved in operations to supply the Salvadoran guerrillas with weapons.

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. What year did you start doing that?

Mr. **Carlton**. In 1980.

Senator **Kerry**. What kinds of weapons were involved?

Mr. **Carlton**. Automatic weapons, grenades, bombs, they called them Vietnamese bombs.

Senator **Kerry**. What are Vietnamese bombs?

Mr. **Carlton**. What I have just said. I never saw them. In fact, they said they were very powerful.

Senator **Kerry**. How were the Vietnamese bombs delivered; do you know?

Mr. **Carlton**. We would go to the suppliers. They would give us a manual or a pamphlet where they had lists and prices of the weapons. We would take the prices and the pamphlets and meet with the guerrilla representatives and then make the deal.

Senator **Kerry**. Where was this deal made, in Panama City?

Mr. **Carlton**. Always in Panama.

Senator **Kerry**. Where were the weapons on display, or were they not?

Mr. **Carlton**. No. We only had them in the brochures where they appeared.

Senator **Kerry**. Do you know who paid for these weapons?

Mr. **Carlton**. No, I don't.

The men we made the deal with, I don't know where the money came from. They said they had earned it through kidnapings and other types of dealings which they had in Central America.

Senator KERRY. Who authorized the sale of these weapons?

Mr. CARLTON. Colonel Noriega.

Senator KERRY. Did Colonel Noriega specifically know of the supply flights that you would make to Salvador?

Mr. CARLTON. We did nothing without his approval.

Senator KERRY. Now, how many flights did your company undertake to transport weapons to Salvador?

Mr. CARLTON. Approximately 17.

Senator KERRY. What sort of aircraft did you use to transport these weapons?

Mr. CARLTON. By motor planes, Piper—Navajo Air Commander like the plane that crashed in El Salvador.

Senator KERRY. Were those aircraft owned by your company or by the Government of Panama?

Mr. CARLTON. They were owned by us.

Senator KERRY. Did you have occasion to fly to Salvador with Cesar Rodriguez on a mission to deliver arms in a Panamanian-marked aircraft?

Mr. CARLTON. Yes, sir.

Senator KERRY. When did that take place?

Mr. CARLTON. It was in the month of June.

Senator KERRY. What year?

Mr. CARLTON. In 1980 or 1981. I can't recall precisely. I think it was 1980.

Senator KERRY. Do you remember the size of the shipments?

Mr. CARLTON. It would depend on the type of aircraft, but about 3,000 pounds per flight.

Senator KERRY. On this particular flight, when you flew in Panamanian-marked aircraft, what were you trying to deliver?

Mr. CARLTON. Cesar—rather, the aircraft that crashed, Cesar's plane was carrying AK-47 weapons, ammunition, and a 55-gallon fuel tank which was to be used for refueling to return directly to Panama, because that weekend we wanted to be in Panama on Sunday because it was Father's Day, and we took fuel so we could return to Panama without having to stay in Costa Rica.

Senator KERRY. That weapons flight originated from Costa Rica; is that accurate?

Mr. CARLTON. Yes, it is.

Senator KERRY. From where in Costa Rica?

Mr. CARLTON. From a strip called El Tamarindo.

Senator KERRY. Where is that in Costa Rica?

Mr. CARLTON. On the Pacific coast.

Senator KERRY. Where else did weapons supply flights originate?

Mr. CARLTON. Only from that landing strip.

Senator KERRY. Would you describe the accident and what happened and what you did after that?

Mr. CARLTON. Well, at that time the guerrillas, or those who were going to supply us with the weapons came late to pick us up at the hotel where we were staying, and when we went to the airport they had already loaded the aircraft. We had two planes.

Senator KERRY. What kind of airplanes were you flying that day?

Mr. **Carlton**. I was flying a Piper Seneca on that flight. Cesar was flying the Aerocommander.

Senator **Kerry**. Did you know why the Salvadoran rebels were loading the plane at a clandestine strip in Costa Rica?

Mr. **Carlton**. I never knew the reason, and I can tell you why. When we arrived at the airstrip, they told us they had had problems, supposedly with members of the rural guard, and they said that they had had to unload the vehicles bringing the weapons before picking us up at the hotel.

When we arrived at the airport they had already loaded the aircraft, and of course they had done that wrong. They had overloaded them, and that is why Cesar, when he was taking off, hit a fence and broke the hydraulic fuel lines. That is why when he landed in El Salvador he had no brakes, and he aimed for a tree, and that's where he stopped. He crashed.

I had already landed in El Salvador and had unloaded my aircraft, so I had to return and pick him up.

Senator **Kerry**. How did you get him out of the airplane? His legs were broken; were they not?

Mr. **Carlton**. Yes, that is right. He hit the tree with great force, and the entire left side of the plane, the door, both doors on the left side and the wing were crushed, and the only way to get him out was using the butt of a rifle, and that was the only way we were able to get into it.

Senator **Kerry**. You broke the windshield; is that correct?

Mr. **Carlton**. That is correct.

Senator **Kerry**. With the butt of a rifle, and pulled him out of the window?

Mr. **Carlton**. Yes, that is right.

Senator **Kerry**. Now, because the plane had Panamanian markings, you were supposed to destroy the plane, were you not?

Mr. **Carlton**. Yes, that is so.

Senator **Kerry**. But you did not destroy the plane.

Mr. **Carlton**. The problem was the plane still carried a 55-gallon fuel tank, as I said before, and plenty of ammunition. So, trying to burn the plane at the time was simply to kill us all. So, I gave the peasants who were receiving the weapons to please burn the plane so that there could be no proof left.

I tried to find all the papers, anything which could be incriminating for our country, but I could not, given the plane's condition, and we already heard two helicopters from the Salvadoran Air Force coming our way. As soon as I could get my colleague out, I put him on my plane and took off. That is why I was unable to burn the aircraft. But those were my instructions.

Senator **Kerry**. Where did you fly to?

Did the helicopters chase you?

Mr. **Carlton**. The helicopters were slower than the airplanes were flying, and it was still quite dark, and I was able to get away because I started to fly very low right over some fields. I believe it was rice or perhaps some other crop, but I was flying very low, and I was able to get away from the helicopters.

Senator **Kerry**. Where did you go to?

Mr. **Carlton**. I was trying to get to Panama, but I could not, so I went back to the same strip we had left from.

Senator KERRY. In Costa Rica?

Mr. CARLTON. Yes, sir.

Senator KERRY. What happened when you got back there? You took Cesar Rodriguez to a hospital?

Mr. CARLTON. Yes, I did. Cesar had relatives in the province of Chiriqui, which is where I landed. We took him to a clinic and then called Colonel Noriega to tell him what had happened. The first thing he asked me was if I had destroyed the airplane, and I said "Yes." I lied to him at the time, and then he asked me how Cesar was. So, I said that he was fairly badly off but that he was alive.

And then he ordered me to hide in the province of Chiriqui until he contacted me again through the G–2.

Senator KERRY. Did the Panamanian Government launch an investigation into the accident?

Mr. CARLTON. Yes. I would like to explain something. A few minutes after I called him, I went to my mother's house and two cars from the public forces came to get me, and they said that I should call the Colonel immediately. I called him, and when he answered, he was furious, and he said that I had not destroyed the airplane, that no one had burned the airplane, and that they already had news on international telexes announcing that a Panamanian aircraft had been captured in El Salvador, and he was very, very angry.

Senator KERRY. I know you are uncomfortable in the hood, and I want to take a break. I just want to complete the cycle of this story, and then we will take a 10-minute break for you. Let me just finish it if we can.

Were you appointed a lawyer?

Mr. CARLTON. Yes, sir.

Senator KERRY. And General Noriega made this lawyer available to help cover up this story; is that correct?

Mr. CARLTON. Yes, it is.

Senator KERRY. The lawyer was subsequently made ambassador?

Mr. CARLTON. No. After that he was General Director of Immigration in Panama.

Senator KERRY. And then an ambassador.

Mr. CARLTON. He is currently Ambassador to Colombia.

Senator KERRY. He had to wait a while.

Now, what happened to the investigation, as it was called?

Mr. CARLTON. Well, yes, that is how it was called.

I went to the G–2, I made a statement and said what I had been told to say. Cesar did the same thing. He was taken out of the private clinic and put into a military clinic to avoid any type of contact with the opposition press. The attorney general at the time also told us how we had to answer the questions.

So, it came to nothing, as usual.

Senator KERRY. At that, let's take a 10-minute break. We will recess until about 10 after.

[A brief recess was taken.]

Senator KERRY. The hearing will come back to order.

Mr. Carlton, you are still under oath.

Could you pull the microphone a little bit closer to you, please? Thank you.

Now, just to clarify the story we have been in, 1980, 1981 you have described a shipment of weapons to El Salvador in Panama force planes with the involvement of and approval of General Noriega in order to supply the FMLN; is that accurate?

Mr. CARLTON. Yes, it is.

Senator KERRY. This is at a time that the policy of the United States of America was to support the government of President Duarte in opposition to the FMLN; correct?

Mr. CARLTON. Yes, it is.

Senator KERRY. And did you know yourself that at that time General Noriega, Colonel Noriega had important links to the United States, that he was receiving payments from the United States for his work on our behalf?

Mr. CARLTON. I knew that he had important ties with the U.S. Government, but I didn't know that he was being paid for that.

Senator KERRY. Who owned the airstrip at Tamarindo?

Mr. CARLTON. At the time, we were told that authorization had been given to use the strip and that it had been given by Mr. Guerra.

Senator KERRY. Mr. Guerra. Can you give his full name? Jaime Guerra; is that correct?

Mr. CARLTON. Yes, it is.

Senator KERRY. Is he also known as Pichique Guerra?

Mr. CARLTON. Pichique, that is his nickname.

Senator KERRY. Can you spell that?

Mr. CARLTON. P-i-c-h-i-q-u-e.

Senator KERRY. Now, were you ever in a meeting with Pablo Escobar in which the assassination of the Justice Minister Bonilla was discussed?

Mr. CARLTON. Yes. But there were many people there. It was a subject that was discussed every day.

Senator KERRY. Where was this meeting?

Mr. CARLTON. Mr. Escobar's office.

Senator KERRY. In Colombia?

Mr. CARLTON. Yes.

Senator KERRY. Can you describe his office to us, please?

Mr. CARLTON. Well, the offices which I came to know were always residences that had been converted to be used as offices. They were very, very luxurious, and there were many armed guards present to protect them and their businesses.

Senator KERRY. And who was present at this meeting with Pablo Escobar?

Mr. CARLTON. I cannot recall their names at this time, and I apologize for that, but there were many people.

Senator KERRY. Many members of the cartel?

Mr. CARLTON. I believe so.

Senator KERRY. Can you tell us the substance of that discussion about the assassination?

Mr. CARLTON. Well, they were apparently obtaining information from a person or staff member close to this man, and this man had escaped for a few seconds. They were in a hurry to kill him because apparently he was going to be named ambassador to a Communist country. But I didn't like to be privy to those conversations, and whatever I heard, I heard accidentally. So, I always avoided being present in circumstances that could prove to be compromising such as this one.

Senator **Kerry**. Subsequent to that discussion, was the justice minister assassinated?

Mr. **Carlton**. Yes. I believe it was 1½ to 2 months later. I can't recall the exact date.

Senator **Kerry**. And as a result of that assassination, did things suddenly get hot enough in Colombia that the Medellin cartel sought protection from General Noriega in Panama?

Mr. **Carlton**. Yes.

Senator **Kerry**. Why did the Colombians come to Panama? And when? Could you be precise? When did this take place?

Mr. **Carlton**. I recall having seen them during the first 2 weeks of May 1984.

Mr. Ricardo Bilonick called me at my ranch in Panama and told me that my father wanted to speak to me. He was referring to Mr. Pablo Escobar. I left my ranch and went to Panama City, and I met with the gentlemen in Panama.

Senator **Kerry**. Who did you meet with in Panama?

Mr. **Carlton**. With Mr. Pablo Escobar, Mr. Ravidia, Mr. Ochoa, the two Ochoa brothers. There were other people, members of that world, present. When I say of that world, I mean the world of drugs.

Senator **Kerry**. This is the meeting that took place in where?

Mr. **Carlton**. In Panama.

Senator **Kerry**. And these are the gentlemen who came to Panama for protection; is that accurate?

Mr. **Carlton**. Yes, correct.

Senator **Kerry**. The major kingpins of the drug cartel?

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. Seeking protection because of an assassination of the attorney general of their country?

Mr. **Carlton**. Yes, sir. Things had become quite difficult for them because the Colombian Government had seized all their airplanes and was trying to capture all of them to try them. So, they went to Panama trying to allow time for things to quiet down in Colombia.

Senator **Kerry**. How much did they pay General Noriega for protection in Panama?

Mr. **Carlton**. At the time, when I began to work with Mr. Escobar, I told him that I thought that he had made a mistake in selecting the city because, based on my experience and on his experience, we knew that Barria was no a man of his word. You could be with him today, with the Americans tomorrow. So, he told me not to worry about that, that they had paid him between $4 to $5 million for their protection. I'm not sure if it was $4 or $5 million, but I think it must have been $4 million, and I was included in that protection.

Senator **Kerry**. When you say "I was included," is that I, Escobar, talking or I, Floyd Carlton?

Mr. **Carlton**. Well, he was referring to me.

Senator **Kerry**. How long did they stay in Panama?

Mr. **Carlton**. They were there for about 3 months, I believe. My rapport was mainly with Mr. Escobar and Mr. Ravidia, although the others were also present at the meetings. But Pablo Escobar did not remain very long in Panama. He went on to Nicaragua about 20 to 25 days later.

Senator KERRY. How many bodyguards and associates accompanied the cartel, sir?

Mr. CARLTON. Too many, sir. I could not say.

Senator KERRY. Give us an estimate, if you can.

Mr. CARLTON. If you take the entire group, I would say between 75 to 100 men.

Senator KERRY. Now, let me ask you a question aside from facts here for a minute.

The attorney general's assassination drove them to Panama, but now they are back in Colombia doing business; correct?

Mr. CARLTON. You say the attorney general? That was the minister of justice.

Senator KERRY. Excuse me. I am thinking of the most recent assassination.

The minister of justice's assassination drove them out, and then they went back, you are correct. And you are doing business now; right?

Mr. CARLTON. Yes, sir.

Senator KERRY. What happened? At one moment they felt they had to leave, but then they were able to go back and continue? What changed? What is the difference?

Mr. CARLTON. As I said, they were trying to make time so they could make arrangements in their own country, time to allow them to do so, and they were able to make those arrangements. With whom, I don't know.

Senator KERRY. Do you know where the information came from that the justice minister was going to be made ambassador?

Mr. CARLTON. No, I don't know the source, but it was a comment they made.

Senator KERRY. Were you ware of the setting up of a cocaine processing lab in Darien, in Panama?

Mr. CARLTON. Yes, I did.

Senator KERRY. Can you tell us how that came about?

Mr. CARLTON. My knowledge about the laboratory came from one of the pilots, one of the associates of the cartel. They needed to transport necessary materials, foodstuffs, for those who were going to be working in that area, and he asked me to provide the aircraft, but I could not help them, and he told me that they had that processing plant in that area.

Senator KERRY. How were they able to get a plant, a processing plant for cocaine right at a place in Darien?

Mr. CARLTON. Of course, sir, as I said before, nothing can be done in Panama without this man's approval. He is the master of the country, unfortunately.

Senator KERRY. Were you aware of the raid that took place on the lab?

Mr. CARLTON. I learned after it occurred, yes.

Senator KERRY. And do you know who carried out the raid?

Mr. CARLTON. The Defense Forces of Panama. They first sent a commando unit to find out what was happening, but most of those involved were able to escape because somebody warned them, and those who were caught were not important people.

Here, sir, I would like to clarify something. My former partner, Cesar Rodriguez, was in charge of this investigation subsequently, and when I told you previously that in 1986 or 1985, when I tried to speak with the U.S. authorities about this, I had documents to this effect. I had cassettes, recordings on this, but I had to get rid of them for the sake of my own security and that of my family.

If you have time later, we could perhaps discuss this in detail.

Senator KERRY. We are. We are going to come back to that a little bit later, Mr. Carlton, after we finish with the Darien and a couple of other things.

General Noriega ordered the raid on Darien; did he not?

Mr. CARLTON. Yes.

Senator KERRY. Do you know why he did that?

Mr. CARLTON. According to what Cesar told me, the justice system, or those who combat drug trafficking in the country, had detected the presence of this laboratory, and they had told the U.S. authorities about it, and he felt pressured, and therefore he had to act.

Senator KERRY. How did the Colombians react to the raid at Darien?

Mr. CARLTON. I was not able to discuss this with the people or to the chiefs, the heads of this group, but I did discuss it with one of the pilots who had flown with me to Panama, had flown drugs with me. They were upset, they had not been expecting that. They had helicopters as well as many of their assets seized, and large sums of money had been paid, according to what this young man told me, and they were ready to go to the end to get Noriega to answer for this.

Senator KERRY. You are talking about the people who were involved with the drug trafficking.

What about the Colombian population generally? How did they view the raid?

Mr. CARLTON. I couldn't say what the Colombia opinion was. I know nothing about that.

Senator KERRY. Now, were there not helicopters in the Panamanian Defense Force that were, I believe, American helicopters, but they were helicopters which could have been serviced in Panama, but General Noriega had them served in Colombia; is that accurate?

Mr. CARLTON. Yes, it is correct.

Senator KERRY. Do you know why he had Panamanian helicopters serviced in Colombia?

Mr. CARLTON. At that time, I had already left the circle, the group where I could get information about this because I had had problems with the General.

Senator KERRY. Can you tell us, please, what is INNAIR? I am not sure how to pronounce it?

Mr. CARLTON. INNAIR, it was a Panamanian company.

Senator KERRY. Before I do that, let me ask you one quick question I should have asked earlier.

Did you hear about Cuban involvement in the resolution of the Darien problem?

Mr. **Carlton**. No, sir.

Senator **Kerry**. You did not hear about Fidel Castro or anybody at a meeting with General Noriega in Cuba?

Mr. **Carlton**. No, sir.

Senator **Kerry**. Now, coming back to this Colombian company, INNAIR, where was that airline purchased; do you know?

Mr. **Carlton**. Well, INNAIR was not a Colombian company. It was a Panamanian company, and in a conversation I had with Mr. Escobar, he said that the company belonged to them. When I say them, Jorge Luis Ochoa was also present. They had a Panamanian acting as a figurehead, and he was supposedly the owner of the company. That was Ricardo Bilonick, but it really did belong to these Colombians.

Senator **Kerry**. And they used it—it was a cargo airline; is that correct?

Mr. **Carlton**. Yes, it was.

Senator **Kerry**. Where would the INNAIR cargo planes fly?

Mr. **Carlton**. They flew to South America and to Miami.

Senator **Kerry**. What particular airstrips in each country would be used? Can you be specific?

Mr. **Carlton**. No, I don't because they were charter flights.

Senator **Kerry**. What kind of cargo was flown on them?

Mr. **Carlton**. They flew animals, live animals, also home appliances.

Senator **Kerry**. Where did that cargo originate?

Mr. **Carlton**. When we flew from Panama to South America, the cargo came from the free zone of Colon. When we flew from Panama to Miami, it was supposedly frozen meat in many cases, or vegetables coming from the city of Panama.

Senator **Kerry**. Did these cargoes also carry drugs and money?

Mr. **Carlton**. Money to the United States; no. Drugs.

Senator **Kerry**. Money back from the United States, drugs up to the United States.

Mr. **Carlton**. I don't understand your question, sir.

Senator **Kerry**. Did these cargo flights bring drugs to the United States and fly money back to Panama?

Mr. **Carlton**. Yes. That is correct.

Senator **Kerry**. Who directed the INNAIR flights?

Mr. **Carlton**. Mr. Ricardo Bilonick.

Senator **Kerry**. His name appears on this chart over here, I believe, in the private group.

Can you see that over there?

Mr. **Carlton**. Yes, I do.

Senator **Kerry**. His name has obviously already been identified by Mr. Blandon.

Were INNAIR flights ever used to support the Nicaraguan opposition?

Mr. **Carlton**. I could not say that for sure.

Senator **Kerry**. Did you ever discuss INNAIR with Pablo Escobar?

Mr. **Carlton**. Yes, I did.

Senator **Kerry**. What was the substance of that discussion?

Mr. **Carlton**. At that time, I was trying to get Mr. Escobar to buy that cargo company, and I wanted him to buy the company so that I could manage it. But I talked to him so much about it that he told me "No, we already own the company. We are the owners." And he said that Mr. Ochoa, who was also with him at the meeting, was co-owner.

Senator KERRY. This was your desire, to try to move into a "legitimate business"; is that accurate?

Mr. CARLTON. Yes, it is.

Senator KERRY. Now, were you aware that drugs were being smuggled from Panama on commercial airliners as part of the cargo?

Mr. CARLTON. I could not say that with certainty.

Senator KERRY. I believe while you did not see it, you have some knowledge of that; do you not?

Mr. CARLTON. Yes, I do.

Senator KERRY. Would you share that knowledge with us?

Mr. CARLTON. I am not certain that specific deals were carried out, but I have heard comments to the effect that drugs were being transported from Panama to the United States and from Colombia to the United States using commercial airlines.

Senator KERRY. You became familiar with the Noriega money laundering operation; did you not?

Mr. CARLTON. Not Noriega's operation exactly.

Senator KERRY. Excuse me. You became familiar with the money laundering operation that took place in Panama. You knew how it worked.

Mr. CARLTON. Yes, that is correct.

Senator KERRY. And you knew that General Noriega made it possible for that to work; is that not accurate?

Mr. CARLTON. If he was getting a profit; yes.

Senator KERRY. And he was getting a profit specifically, you know that; do you not?

Mr. CARLTON. Yes, of course, sir.

Senator KERRY. Now, you know also that some money that came in to be laundered came in on commercial airliners; is that accurate?

Mr. CARLTON. Yes, sir.

Senator KERRY. Do you know which airlines were involved?

Mr. CARLTON. Air Panama, Eastern Airlines, and several times when there were air force planes coming to the United States for whatever reason, they would return with money.

Senator KERRY. Let me come to one subject I want to try to deal with delicately here, as we discussed, but the name of Dr. Hugo Spadafora has come up here frequently and elsewhere.

You knew Dr. Spadafora very well, did you not?

Mr. CARLTON. Yes, I did.

Senator KERRY. When did you first get to know Dr. Spadafora?

Mr. CARLTON. Shortly after the war in Nicaragua against Somoza ended, I met Dr. Hugo Spadafora for the first time.

Senator KERRY. What kind of man would you describe Dr. Spadafora as?

Mr. CARLTON. Dr. Spadafora was a very honest man. He was an idealist, and he tried to get the best for anyone needing justice. In the case of Panama, he was trying to unmask Noriega, and he was successful in obtaining truth that could imperil Noriega, and the result is—well, please, sir, I would like to explain something.

Mr. Spadafora, I can't say he was a friend because he had no friends. Like me, he was a very rightful man. I am not trying to denigrate myself in saying this, but he always gave me advice and asked me to please move away from Noriega because he was an evil man, and he would ultimately be a problem for us, and he did the same for Cesar.

Senator KERRY. Is it fair to say that Dr. Spadafora was idealistic and committed to trying to free Panama from the scourge of drugs and other corruption? Is that not fair?

Mr. CARLTON. Yes, your words are very right.

Senator KERRY. He used to keep a notebook, did he not, writing down flights, drug running, arms smuggling?

Mr. CARLTON. Yes, he tried to document as much as possible so that he could provide information to the people of Panama. So, he would take notes on all this information and try to verify them, discussing them with those involved.

Senator KERRY. Did he have those discussions with you where he would have his notebook and he would ask you about specific dates or times for flights?

Mr. CARLTON. I couldn't say that he had the notebook when he spoke with me because the last time we spoke, it was over the telephone, but he was trying to verify these flights.

Senator KERRY. And Dr. Spadafora made it known that he was going to go back to Panama and create a revolution with this information. He was going to try to make it known what was happening in greater terms; is that not accurate?

Mr. CARLTON. Well, his words were verbatim, "I am going to have a bomb explode in Panama. I am going to set it off with all this information which I have, but don't worry, I'm not going to involve you or Cesar," though Cesar at the time had not wanted to confirm anything to him.

Senator KERRY. Now, at some time on his trip—this was in what year?

Mr. CARLTON. This was in 1985.

Senator KERRY. And at some time on his trip in 1985, traveling from Costa Rica back to Panama, he was apprehended, was he not, by Panamanian Defense Forces?

Mr. CARLTON. Yes, he was.

Senator KERRY. And subsequent evidence showed that Dr. Spadafora was tortured?

Mr. CARLTON. Yes, sir.

Senator KERRY. And he was beheaded while he was still alive; is that accurate, after the torture?

Mr. CARLTON. Yes, sir.

Senator KERRY. Did anybody ever find the notebook?

Mr. CARLTON. Yes, sir.

Senator KERRY. Do you know where the notebook was found?

Mr. CARLTON. Excuse me?

Senator KERRY. Do you know where the notebook was found, the notebook of Dr. Hugo Spadafora? Was that found?

Mr. CARLTON. Yes, it was.

Senator KERRY. Do you know where it was found?

Mr. CARLTON. He had it with him.

Senator KERRY. The national guard?

Mr. CARLTON. Yes, sir.

Senator KERRY. It was the Panamanian Defense Force, OK.

Now, we're not going to go further down this road right now. Let me ask you this question. Generally, in the history that you have known, General Noriega over the course of 1966 until you left Panama, do you know personally whether or not General Noriega has ever ordered or directed the killing of anybody? Do you personally know?

Mr. CARLTON. Personally, no. But I have heard from his subordinates that. I've heard that from his subordinates.

Senator KERRY. Now, who is Pichique Guerra that you described earlier?

Mr. CARLTON. In the past this gentleman was I think a minister of the government. I'm not quite sure, of the Republic of Costa Rica. He was a very important man in the supply of weapons to the Sandinistas when they were fighting against Somoza.

He gave them facilities, airplanes, and he even sold weapons.

Senator KERRY. And who is Jose Angel Guerra?

Mr. CARLTON. I think it's his son.

Senator KERRY. Do you know what he has been involved in?

Mr. CARLTON. Well, in the negotiations we had with the Salvadoran guerrillas, he also sold weapons, because the father had really gotten away from that business, because the Costa Rican Government did not want to participate any more in that kind of business.

Senator KERRY. Did Jose Guerra assist you in Costa Rica?

Mr. CARLTON. No, sir.

Senator KERRY. Wasn't he your lawyer? Wasn't he the attorney who was appointed for you? Do you have a recollection of that?

Mr. CARLTON. For the case of the weapons to El Salvador?

Senator KERRY. No. Let me try this. You did some business, did you not, with Jose Guerra?

Mr. CARLTON. No, sir.

Senator KERRY. Did you do business with Pichique Guerra?

Mr. CARLTON. Not really. It was Cesar Rodriguez, my partner.

Senator KERRY. Did they provide airstrips for you in Costa Rica?

Mr. CARLTON. Yes, that's right, sir.

Senator KERRY. Those are the clandestine airstrips?

Mr. CARLTON. Yes, sir.

Senator KERRY. Did you land weapons at their airstrip at Philadelphia?

Mr. CARLTON. No, sir. My partner Rodriguez did.

Senator KERRY. I meant you as a company, you as a group. But Cesar landed them there; correct?

Mr. CARLTON. Yes, that's right.

Senator KERRY. And were there weapons landed at airstrips in Quesado?

Mr. CARLTON. In Quesado, yes, sir.

Senator KERRY. That's at the farm of John Hull; is that correct, at a nearby airstrip?

Mr. CARLTON. Yes, sir. But I did not participate in that.

Senator KERRY. I understand that. But you know of those landings. That's all I'm trying to ascertain.

You told us before that G-2 arrested Spadafora on information that was provided by the Costa Rican intelligence. Do you know why that intelligence was provided at that time in 1985?

Mr. CARLTON. Well, I don't really know, but what I could say is that there are some officers who are connected to the intelligence services of Costa Rica which to a certain extent are the creation of General Noriega. They have been trained in Panama.

What's more, very often they go to Panama and then they return with an enormous amount of household appliances and things that have been given to them as presents by General Noriega. And these people keep a certain or have a certain loyalty to General Noriega.

Senator KERRY. Did Dr. Spadafora tell you about individuals within the government at that time who were involved in drug and weapons transactions, smuggling?

Mr. CARLTON. Well, he spoke in general, but I would not be responsible if I gave you numbers because I don't really remember—I mean names, because I don't really remember.

Senator KERRY. Did you know Minister Echevarria?

Mr. CARLTON. Yes, I did meet him once, but only once. I know that he was involved in these arms deals and he had relationships also with the drug traffickers, but that's all.

Senator KERRY. And did you know through your relationship with General Noriega that he had a relationship there?

Mr. CARLTON. Yes, sir.

Senator KERRY. Have you ever met or seen Robert Vesco?

Mr. CARLTON. I saw him once, but just fleetingly, in Costa Rica.

Senator KERRY. When was that?

Mr. CARLTON. Well, I don't remember what year, but I think it was 1976. Well, I don't really remember exactly, I'm sorry.

Senator KERRY. Who is Alfredo Caballero?

Mr. CARLTON. Alfredo Caballero is a Cuban who was exiled in Nicaragua, and because of the problems in Nicaragua is now exiled here in the United States, in Miami. He has certain links with Eden Pastora and he is involved in drug trafficking and to a certain extent he helped the Contras.

But to be more specific, he was helpful to Mr. Pastora's organization.

Senator KERRY. Let me just be clear here. Mr. Caballero is in Miami, he was involved in drug smuggling?

Mr. CARLTON. Yes, that's so.

Senator KERRY. And arms shipments?

Mr. CARLTON. Yes, sir.

Senator KERRY. He was also assisting the Contras for that period, over that period of time?

Mr. CARLTON. I'll try to be clear. He was helping the Contras, but actually he was helping the organization of Mr. Eden Pastora.

Senator KERRY. I understand, the southern front. And do you know what period of time that was, Mr. Carlton?

Mr. CARLTON. In 1981—no, I'm sorry. 1983-84.

Senator KERRY. Did you have any drug dealings with him or Cesar Rodriguez have any drug dealings with him?

Mr. CARLTON. Neither Cesar nor I had anything to do as far as drugs are concerned with him. But with some friends of ours; yes.

Senator KERRY. Now, at some time did you make an arrangement with the Cali drug dealers?

Mr. CARLTON. Yes, I did.

Senator KERRY. Who are the Cali drug dealers?

Mr. CARLTON. I only met two of them, Luis Jose Aspina and Carlos Alvero Echevarren.

Senator KERRY. And how did you come to have an arrangement with the Cali drug dealers? You were already working with the Medellin; correct, the Medellin?

Mr. CARLTON. Yes, sir. The year after the minister was assassinated, when these men came to Panama, I recall having told you that when they arrived they called me at my ranch. So, I had already been away from the Medellin cartel for a few days.

And they proposed—Mr. Aspina proposed that I take some money from the city of Los Angeles to Panama City, and that I deposit it in the banks on the list. But since I was very busy during those days—the Medellin cartel had arrived in Panama—I was unable to make that flight and I sent someone else in my place.

That person did collect the money—I think it was $1.8 million—and by mistake took a commercial flight. He arrived in Miami, but the money did not. And I had to pay that money.

Senator KERRY. You had to pay back the Cali people?

Mr. CARLTON. Yes, sir. That is why I became involved with them.

Senator KERRY. You became involved with them in order to pay back the money. So, you took some drug shipments, and on occasion did one of those drug shipments get lost?

Mr. CARLTON. No, sir, it was not with the Cali cartel. It was with some people from the city of Pereira. I don't know anyone in Cali. I'm afraid that I made a mistake when I answered your question.

Senator KERRY. Was there an occasion when some drugs got diverted from where they were supposed to go?

Mr. CARLTON. Yes. I was accused of losing that drug shipment, but I had nothing to do with that shipment. In particular, the pilot who was transporting that drug—I think it was about 530 kilos; I can't recall exactly—was a partner of mine in the legal business. And the drug shipment never appeared.

Senator KERRY. Never appeared where it was supposed to appear?

Mr. CARLTON. That is correct.

Senator KERRY. It was supposed to appear at a field in Costa Rica; is that accurate?

Mr. CARLTON. Yes, sir.

Senator KERRY. Who was the pilot?

Mr. CARLTON. Teofilo Watson.

Senator KERRY. And instead of appearing at that—what field was it supposed to appear at?

Mr. CARLTON. I can't recall the name, but I could locate it on a map.

Senator KERRY. Did you learn that that drug shipment appeared instead on another farm, another strip?

Mr. CARLTON. That is what we were told by a member of the civil guard in Costa Rica.

Senator KERRY. Did he inform you that it landed on the strip and ranch of John Hull?

Mr. CARLTON. Yes, that is correct.

Senator KERRY. And was Teofilo Watson, the pilot of the aircraft, at some time assassinated?

Mr. CARLTON. Yes.

Senator KERRY. When was he assassinated?

Mr. CARLTON. I can't recall the date, the exact date. But one of the people who was to meet Watson told him not to land at the appointed place, but to change and land elsewhere. It was supposedly waiting for him there. They killed him and then took the airplane and the drugs to Mr. Hull's ranch.

Senator KERRY. So, this is the very occasion that he landed at the wrong field that he was killed. He was assassinated when he was met landing where he thought he was going; correct?

Mr. CARLTON. Yes, that is correct.

Senator KERRY. Now, at some time was a man by the name of Aldamar contracted to assassinate you?

Mr. CARLTON. Not exactly to assassinate, but to find the drug shipment that I had supposedly stolen.

Senator KERRY. Who contracted for him to do that; do you know?

Mr. CARLTON. Mr. Luis Carlos Alcedo Spina, I believe.

Senator KERRY. Tell us what happened at that point in time? The Cali cartel believed you had cheated them; is that correct?

Mr. CARLTON. No, the Pereira cartel in that case. Yes, they thought that I had agreed or made a plan with Mr. Watson to steal the drug.

Senator KERRY. What did you do at this point in time? Did you return to Panama?

Mr. CARLTON. Well, I was in Panama when that happened. These individuals came to Panama and they kidnaped one of my relatives and he was brutally beaten, and he, trying to find a solution to his situation, said that the only place I could have that was in my ranch if I had it.

And they went to my farm and they tried to find it, but they did not.

Senator KERRY. How did they try to find it? Did they use mechanized shovels?

Mr. CARLTON. Yes, mechanical shovels and metal detectors. They spent weeks there looking for some type of metal, and found nothing.

Senator KERRY. Were you frightened at this point?

Mr. CARLTON. No, I wasn't, because when I found out what the problem was I told them that if they wanted to find a solution we should go to Pereira and talk to the owners, and I flew to Pereira. And there they said they were going to continue to look for the airplane, for the drug shipment, and for the pilot.

Senator KERRY. Did you contact anyone from the United States intelligence community in Panama at that time?

Mr. CARLTON. Several months later, I did try to contact people at the U.S. Embassy, but that was—it was in January 1986. But I did actually make contact with intelligence agents in the United States Embassy in Panama.

Senator KERRY. Can you describe what took place? Could you hold on just 1 minute.

[Pause.]

Senator KERRY. Let me just ask you, after the effort to find the drugs on your farm and all the digging and beating up of your cousin, did you hear afterward of another kidnaping in an effort to find the drugs?

Mr. CARLTON. I believe so. I think it was a mechanic, a young man who worked as a mechanic and worked for me. But they didn't really harm him. They simply took him to an apartment and they asked him questions.

Senator KERRY. Did you ever learn whether or not someone related to John Hull was kidnaped in an effort to find the drugs afterward?

Mr. CARLTON. No, I didn't.

Senator KERRY. You weren't aware of that, OK.

Now, would you describe then your contact with these members of the intelligence community or the DEA, whichever took place first?

Mr. CARLTON. When I met with them personally, I told them that I had information, intelligence information for their agency and for the U.S. Government, but that I would need protection for me and for my family. They asked me what type of information I could provide the U.S. Government and I gave them the details specifically as to what I knew.

But when I spoke of Noriega——

Senator KERRY. Do you remember who you talked to? Do you remember specifically?

Mr. CARLTON. I spoke to two agents. One was Thomas Tyre and the second one, I can't recall what his name was.

Senator KERRY. When did this take place?

Mr. CARLTON. It was in January 1986.

Senator KERRY. All right, what we're going to do is take about a 5-minute recess before we wrap up for the afternoon. We will come back to this witness for a number of closing areas.

Senator D'Amato, you have something you want to ask at this point before we do that? Go right ahead. I just want to give him a chance to breathe a little here.

Senator D'AMATO. If I could, Mr. Carlton, just ask you to cover two questions. You testified that you made some 17 trips between 1977, 1978, and 1979 carrying arms to the Sandinista rebels who were trying to overthrow and eventually did the Somoza government.

What did you receive in compensation? About how much money did you get for those 17 trips?

Mr. CARLTON. Well, there is some confusion, I think, as to the dates. Of the 17 trips which I said I flew, these were trips to provide supplies to the Salvadoran guerrillas. Does that answer your question? Yes.

Senator D'AMATO. And how much money did you receive for that?

Mr. CARLTON. I can't recall exactly, sir. But we were paid $35,000 per trip.

Senator D'AMATO. $35,000 a trip for running arms?

Mr. **Carlton**. That is correct.

Senator D'**Amato**. Now, you testified that you made some four trips with the Colombian drug dealers and that the first payment to Mr. Noriega was $100,000. What payment did he receive for the other three trips?

Mr. **Carlton**. The first was $100,000, as I said before; the second, $150,000; the third, $200,000; and the fourth, $250,000. So, he raised his price for each trip.

Have I answered your question?

Senator D'**Amato**. Yes, you have.

Let me ask you, what did Escobar say when you told him Noriega kept raising his price?

Mr. **Carlton**. Once, I believe on the second trip, he said that was typical of him and that—told me that they had had previous dealings with him, though I repeat this: I never admitted to Mr. Escobar that it was Noriega who was behind it.

Senator D'**Amato**. Did Noriega ever suggest to you that you weren't charging the Colombians enough, that what you were charging them was too little?

Mr. **Carlton**. Yes, he did. I think it was for the third trip. There was a discussion because they tried to add a flight carrying drugs without letting me know. I was away. I was in Europe at the time.

And they used, or the people who were waiting for the plane carrying the drugs, were captured. And they were severely tortured, and they had limbs fractured, and this cost those individuals a lot of money.

When I returned from my vacation Noriega told me about this and he was very displeased, because according to him these people thought that Panama was a group of Indians that they could come and do whatever they wanted.

And that is why I said before, nothing can be done in Panama without Noriega's approval, that is if you want to be successful.

Senator D'**Amato**. Let me ask you this, Mr. Carlton. Did you ever fly into Nicaragua in connection with the drug business? And if you did, would you tell us about those flights, what the purpose of the flights were? And were you ever arrested in Nicaragua?

Mr. **Carlton**. We flew to Nicaragua in connection with drug trafficking. At one time, we carried, at least I was told, a shipment worth $200 million, $2 million rather, that was going to be given to someone. I do not know whom.

Senator **Kerry**. What year was that?

Mr. **Carlton**. It was in 1984, toward the end of the month of May 1984. I went there supposedly to meet with Mr. Escobar so that he could give me detailed instructions in connection with the operations to be carried out in Nicaragua.

I was unable to meet with Mr. Escobar because they were otherwise engaged. They seemed to have had problems. And the second time I returned, or rather I went to look at a series of airstrips I was asked to go to look.

And the idea was to have coordinates, alternate routes in case we had to fly at night and had to land, we had to know what radio stations were in the area so that we could attain coordinate points and find out how to arrive at different landing points.

At the time, I was recognized by security in Nicaragua, and I was arrested. I was asked if General Noriega knew that I was in Nicaragua. And I said that I did not notify General Noriega of my comings and goings.

So, to sum up, they told me that I could never return to Nicaragua because anything I were to do or if anything about me appeared in the papers General Noriega would be involved. And they told me never to come back to Nicaragua, because I would then be arrested. Have I answered your question, sir?

Senator D'AMATO. Yes, I think you have. Let me see if my interpretation is correct.

Is it your feeling that they gave you this warning not to come back because they were concerned about the fact that if you were involved in this drug dealing that it would bring damage to the reputation of the General? They were concerned with his reputation?

And the fact of you being known as an operative of his and close associate would then be linking him with drug dealing? Was that their concern?

Mr. CARLTON. Yes, it was.

Senator D'AMATO. Thank you very much.

Senator KERRY. I think we will bring that up after this. We have a number of areas that we need to touch on in terms of general finances, the airport corruption problem, and our own relationship, et cetera.

I also want to get some identification of some of these people on the chart in terms of corroborating prior testimony. So, we will take a 10-minute break and come back at that time. We stand in recess for 10 minutes.

[Recess.]

Senator KERRY. The hearing will come to order. My apologies to all. That was a long 10 minutes, and I am sorry that it went longer.

Now, Mr. Carlton, I remind you you are still under oath. Can you hear me now through the translation?

Mr. CARLTON. Yes.

Senator KERRY. Is there anything that you can tell us about General Noriega's relationship with Cuba?

Mr. CARLTON. No, sir.

Senator KERRY. Do you know anything about goods being shipped to Panama from the United States and then going to Cuba?

Mr. CARLTON. Yes. As far as that is concerned, I could tell you something.

Senator KERRY. What can you share with us about that?

Mr. CARLTON. To reiterate what I said before in my statements before the people of the who interviewed me, regarding shrimp, which are Cuban products, which are packed again in Panama and then sent to the United States.

Then about American technology which is sent to Cuba and all of these goods are processed by a company owned by Noriega, directed by Mr. Wittgreen, whose name is up there in the chart.

Senator KERRY. Which company is that?

Mr. CARLTON. I do not remember exactly the name of the company. But I think I may remember its name later.

Senator KERRY. What kind of technology goods were being shipped from the United States to Cuba through Panama?

Mr. CARLTON. When I spoke on several occasions with Mr. Wittgreen, he is quite closemouthed in speaking about those kind of transactions. But when he has a few drinks he is quite eloquent.

When I would fly with him he would speak to me about all of these activities and all of these goods that were being sent, from school supplies to spare parts for typewriters, tape recorders. I could not tell you exactly all of them. But there were many goods sent through Panama to Cuba.

Senator KERRY. And do you know whether drugs came from Cuba to Panama?

Mr. CARLTON. From Cuba to Panama? No. But Cuban vessels that operated from the Brockamante Port were used. It is on the Pacific coast of Panama.

Senator KERRY. Were some Nicaraguan products shipped to the United States through Panama in these same business enterprises?

Mr. CARLTON. I think so, sir.

Senator KERRY. You think, you know, or you are not sure?

Mr. CARLTON. I really am not sure.

Senator KERRY. All right. Then let us leave it. Do you know if the Medellin cartel did establish cocaine laboratories inside Nicaragua?

Mr. CARLTON. Yes, sir.

Senator KERRY. Who in Nicaragua allowed those laboratories to be established?

Mr. CARLTON. I was not able to find out exactly who it was. But when I told you before that I had gone with Mr. Ricardo Bilonick, and we had flown with a certain amount of money to Nicaragua, at a certain point he mentioned Mr. Tomas Borge, but that was all.

Senator KERRY. But you have no other knowledge of the specific process by which that took place?

Mr. CARLTON. No, sir. At a certain point, we were going to buy a plane here in the United States to take cocaine paste from Bolivia to Nicaragua where it would be processed and then sent to the United States.

Senator KERRY. But you did not wind up making that purchase?

Mr. CARLTON. No, sir.

Senator KERRY. Let me come back to revisit an issue where I think there is a little bit of confusion, and that is the question of your visit to the DEA. You say you visited the DEA in Panama City?

Mr. CARLTON. Yes, sir.

Senator KERRY. What year did you visit them?

Mr. CARLTON. Well, I did not really visit the Embassy facilities where the DEA offices are. These people interviewed me, that is they picked me up at the Holiday Inn Hotel off Panama City, and we left for a short ride in their car.

Senator KERRY. This is in June 1986?

Mr. CARLTON. No, that was in January 1986.

Senator KERRY. I am sorry. It is my writing I could not read. January 1986. And that was the time you met with Thomas Tyre, sir?

Mr. CARLTON. Thomas Tyre.

Senator KERRY. Do you know how to spell that?

Mr. CARLTON. I have no idea, sir.

Senator KERRY. You went for a ride with them. What did you tell them specifically?

Mr. CARLTON. When they talked to me they asked me exactly what I wanted to speak about to them. And I asked, "Have you not heard my name?" And they said, "Yes, we have."

And so I said, "On different occasions I have sent people to speak to you so that you interview me. But you have always told them that you have nothing to talk to me about." And the fact is that I believe that I can go before the American judicial system and speak of a lot of things that are happening in this country, and I can even prove them.

So, they asked, "Such as what?" So, I said, "Money laundering, drugs, weapons, corruption, assassinations." When I mentioned the name of General Noriega, they immediately became upset. And I noticed that, and of course I became nervous at that point.

They did not try to contact me again. And the only thing I had asked for was protection for myself and my family. And at that time I had no problems with the American justice system.

And I wanted to clarify that, gentlemen, because I do not want you to think that I am speaking to you because I have problems right now. I had wanted to do that even before I had these problems. And if they are candid, they will let you know that I did meet with them, and that I told them that.

Senator KERRY. What happened after that meeting?

Mr. CARLTON. Actually, they tried to contact me on the phone, but when I returned their call I was not able to contact them.

And to be very honest, I was scared, because I thought that because of the connections that General Noriega has with the American Embassy in Panama, that I might be or my family might be hurt.

And I want to be very clear on that, sir. I do not mean by that that American officials are doing the bad things that General Noriega is doing. It was just my feeling at that point which is why I destroyed the evidence I had.

Senator KERRY. The evidence you had was what? Tapes?

Mr. CARLTON. Yes.

Senator KERRY. Now, at some time, were you detained by authorities at some place?

Mr. CARLTON. That was in 1985 in Panama.

Senator KERRY. Well, sometime you left Panama. Is that correct?

Mr. CARLTON. In July 1986.

Senator KERRY. Why did you leave Panama in July 1986?

Mr. CARLTON. At that time, I was a sales representative for an airplane company, and I was selling an airplane.

I tried to meet with Mr. Alfredo Caballero in Costa Rica, but apparently he had problems with the American judicial system. And he exchanged me for his freedom, which is why I went to Costa Rica to meet with him, to sell him an airplane.

Senator KERRY. What happened in Costa Rica when you went to sell him an airplane?

Mr. CARLTON. I arrived at his hotel, and I met him for about 2 minutes. And right away, about 50 agents arrived. They surrounded us, they arrested me. And I was incarcerated to be extradited to the United States.

Senator KERRY. When were you extradited to the United States?

Mr. CARLTON. In January 1987.

Senator KERRY. Have you been in the witness protection program since that time?

Mr. CARLTON. No, sir. Beginning in July 1987. It has been since then that I have been in the program.

Senator KERRY. And you met with U.S. law enforcement authorities who evaluated your story before you were put in the witness protection program. Is that accurate?

Mr. CARLTON. Yes, that is correct.

Senator KERRY. When did you learn of the death of Cesar Rodriguez?

Mr. CARLTON. When Cesar had disappeared, he had not returned his family's calls, and his friends' calls.

Senator KERRY. When was this? What period of time?

Mr. CARLTON. I do not really remember if it was in February 1986 or March 1986. I do not remember exactly what month it was.

Senator KERRY. So, Cesar Rodriguez was killed at some point after you had first met with the DEA agents?

Mr. CARLTON. Yes, sir. But I want to be very clear, I have not tried to involve the DEA agents in that.

Senator KERRY. No, no. I understand that. Nobody is, and I am certainly not. I am just trying to get the chronology here.

You had publicly begun to make known that you were willing to cooperate with some law enforcement authority, at any rate.

Mr. CARLTON. Yes, sir.

Senator KERRY. Now, what did you learn about Cesar Rodriguez' death? Anything?

Mr. CARLTON. Yes, sir.

Senator KERRY. Were you in Panama when you learned of his death?

Mr. CARLTON. No, sir. I was in my ranch near the Costa Rican border.

Senator KERRY. Where was Cesar Rodriguez killed?

Mr. CARLTON. In the city of Medellin in Colombia.

Senator KERRY. Now, do you know how he was killed?

Mr. CARLTON. Yes, sir.

Senator KERRY. Did Cesar Rodriguez do something specific that made him dangerous for General Noriega?

Mr. CARLTON. Yes, sir.

Senator KERRY. What was that?

Mr. CARLTON. All of us were a danger to General Noriega, because he was trying to project a certain political image. He was trying to clean up his image and we, those of us who at some point had done something illegal for him, we were a danger for him.

I do not know if that answers your question.

Senator KERRY. Did Cesar Rodriguez make tape recordings as an insurance policy before he was killed?

Mr. CARLTON. Yes, sir.

Senator KERRY. Did you personally hear one of the tapes? Did he ask you to listen to it, or did he give it to you and you did listen to it?

Mr. CARLTON. I listened to several tapes; yes.

Senator KERRY. And did those tapes detail many of the things about the criminal enterprise in Panama?

Mr. CARLTON. Yes.

Senator KERRY. Did those tapes tell you things about General Noriega and Cesar Rodriguez that even you did not know?

Mr. CARLTON. Yes, that is correct.

Senator KERRY. Do you know what happened to those tapes?

Mr. CARLTON. Yes, sir.

Senator KERRY. Do you know where they are now?

Mr. CARLTON. Yes, sir.

Senator KERRY. Where are they?

Mr. CARLTON. I have to protect those people, sir. I can't give you that information.

Senator KERRY. That's fair, and we talked about that prior to the hearing, and I will not press you further on that question in open session.

I want you to turn to the chart over here for a minute.

Can you read the names on that chart?

Mr. CARLTON. Yes, sir.

Senator KERRY. Fairly quickly, but nevertheless, being specific, could you tell us, is that an accurate representation of the criminal enterprise of General Noriega?

Mr. CARLTON. Yes, sir.

Senator KERRY. In the private group, do you know who Enrique Pretelt is?

Mr. CARLTON. Yes, sir.

Senator KERRY. What does he do for General Noriega?

Mr. CARLTON. They have legal businesses in Panama. He's a very close friend of the General, and in addition, he participated in those operations when I gave the drug money to General Noriega. He knew about it.

Senator KERRY. And what about the names—skipping your name, the next name there?

Mr. CARLTON. Richard Bilonick, Ricardo Bilonick is someone who is very close to General Noriega. He was a kind of Panamanian ambassador here in Washington during the Carter-Torrijos treaty. At that time, he was the manager of INNAIR, the company we mentioned before, and he is a very good friend of the Ochoa family.

Senator KERRY. And is he involved in the drug and money laundering also?

Mr. CARLTON. In the drug business.

Senator KERRY. What about Carlos Wittgreen?

Mr. CARLTON. That is the person I mentioned before. He's the one who handles General Noriega's companies. One of them is Servinaves. This is a person who is in charge of repacking the goods that are sent from Cuba to Panama and from Panama to the United States.

Senator KERRY. Mr. George Novey III?

Mr. CARLTON. Mr. George Novey III has many friends among those in the drug business. He is involved in money laundering, and he was one of the people who headed INNAIR.

Senator KERRY. And finally, we have talked about Cesar Rodriguez, who is now deceased.

It is my understanding you know of some other people that could be added to that list of the private group.

Mr. **Carlton**. I don't remember right now, yes, but I know of some others that I could give to you later.

Senator **Kerry**. We will discuss those later.

Now, in the military operations group, do you recognize the names there?

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. Do you recognize each and every name?

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. Are there additional names that could be added to that list?

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. Will you share those with us afterward?

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. Now, how does the military operations group work with respect to General Noriega and his operations? Specifically, would you tell us about the air force and how it works?

Is it the Purcell brothers?

Mr. **Carlton**. Yes, that's correct, it's the Purcell brothers.

In most cases, when planes go from the United States to Panama with money, these planes don't go to civilian airports but to the military airports where the suitcase or suitcases with the money are unloaded. As I said before, all of this is approved by the commander in chief.

Senator **Kerry**. Do they sometimes get met by armored cars to carry the cash?

Mr. **Carlton**. Yes, with an escort, that's right.

Senator **Kerry**. With an escort from the PDF?

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. Now, what is the role that is played by the Purcells?

Mr. **Carlton**. They are very close friends of General Noriega since they were first lieutenants. They have been going up in the same degree and they have kept up with that friendship. They are both millionaires today.

Senator **Kerry**. How does the air force work? How does it involve itself in the drug process and money laundering?

Mr. **Carlton**. In the drug process, as far as that's concerned, I really can't say that it's the air force because I'm not sure of it, but as far as money laundering is concerned, as I said, very often boxes go to the air force as if they were spare parts for their airplanes, but they actually have money there.

Senator **Kerry**. The money comes in in those boxes?

Mr. **Carlton**. Yes. That's correct.

Senator **Kerry**. And how do they make sure that General Noriega gets paid? How does his money get to him?

Mr. **Carlton**. Well, I really don't know about that.

Senator **Kerry**. Well, you know about some of the money that gets paid to General Noriega because you paid it to him; right?

Mr. **Carlton**. As far as I'm concerned; yes.

Senator **Kerry**. Do you know how any of the other money is paid? Have you been present when he has been paid?

Mr. **Carlton**. No, sir. I have not been there.

Senator KERRY. Now, what about the offices of the government? Do you recognize all the names under the list of the offices of the government?

Mr. CARLTON. Yes, sir.

Senator KERRY. And is each and every name one that you recognize as being part of the criminal enterprise?

Mr. CARLTON. Yes, sir.

Senator KERRY. Do you know additional names that could be added to that list?

Mr. CARLTON. Yes, sir.

Senator KERRY. And you will share those with us in executive session?

Mr. CARLTON. Yes, sir.

Senator KERRY. And the final lists, why do we not do both of them at the same time? If you would look at the two last lists there.

Mr. CARLTON. Yes, sir.

Senator KERRY. Each of those private banks listed you know personally is a bank that is involved in money laundering?

Mr. CARLTON. Except for one, sir.

Senator KERRY. Which one are you not certain of personally?

Mr. CARLTON. The Swiss bank.

Senator KERRY. Are there any banks not listed there which should be?

Mr. CARLTON. Several.

Senator KERRY. Would you name those banks, please?

Mr. CARLTON. Right now?

Senator KERRY. Yes.

Mr. CARLTON. The Bank of Colombia, the Banco Ganarero, the Inter-American Bank. Well, actually, that was closed down already. The Banco Real the Interoceanic Bank. I don't really remember the others, but I'll give you the names later.

Senator KERRY. Why do we not pursue that further, then, at another time.

And finally, the last group, are there names that you could add to that of the legitimate business, so-called private groups?

Mr. CARLTON. Yes, sir. I do know some.

Senator KERRY. Now, Mr. Carlton, we are almost at the end of this process for today.

Let me ask you one other question. I asked you in back, and you did not understand my question correctly, and I want to come back to it. I asked you in general terms whether you knew of people being ordered killed by General Noriega, and you understood my question in a way that led you to say you did not personally know of that because I had referred to people generally, and I used a term that in Spanish you understood to mean assassinate, broadly.

So, let me rephrase my question to you and ask you for an answer.

Do you have personal knowledge yourself of whether or not General Noriega ordered or directed or took part in the murder of any individual?

Mr. CARLTON. Yes, that's correct.

Senator KERRY. You do have that knowledge?

Mr. CARLTON. Yes, sir.

Senator **Kerry**. And you know he did.

Mr. **Carlton**. Yes, sir.

Senator **Kerry**. We are not going to go into that here because we are not trying to create a criminal record in that sense, but I want that answer to be part of the record.

I would like to as you generally, now, here is this enterprise. You know the country, you know the region, you have traveled, you have been involved in drugs and arms smuggling. You have seen friends of your murdered and killed, and here you are wearing a hood, under Federal protection.

What do you think about what has happened to that part of the world, what has happened to Panama, what has happened to you, and what do you think about it now?

Mr. **Carlton**. I will try to be brief in answering your question.

Panama's problems were the result of the military coup. Starting with General Torrijos, ties were formed with drug trafficking. They were set up to try to find financing, try to find funds in other countries. These groups of criminals came increasingly closer to Panama, and they gradually corrupted the Panamanian authorities which until then, until that time had not engaged in drug trafficking and money laundering activities. Starting with the military coup in 1968, the banking system in Panama expanded, and this expansion brought about money laundering activities. All the money generated by drug trafficking, kidnapings, assassinations came to banks in Panama where it was deposited.

Another situation arose when General Noriega became the head of the forces in Panama. Then the problem knew no boundaries because he would deal with God and the Devil at the same time. I will deal with you today; tomorrow I will sell you. That is the present situation in Panama. You have corruption, drug trafficking, gun dealings, assassinations. That is the political history my country is living at this time.

Senator **Kerry**. In terms of the assassination and money laundering and so forth process that you say has taken over your country, is it fair to say that this criminal enterprise is reaching into other countries in the same way?

Mr. **Carlton**. I could not say that with certainty. I couldn't say it's happening the same way in other countries, but as long as this man is in Panama, the other countries will also be prone to his influence. He could involve them in these activities.

Senator **Kerry**. Has the most significant change in Panama taken place since about 1982?

Mr. **Carlton**. You could say that, sir.

Senator **Kerry**. That is about the same time that the arrangement was created with the Medellin cartel; correct?

Mr. **Carlton**. The agreement with the Medellin cartel dates back to 1983 or 1984, but in my case, since 1982.

[Pause.]

Senator **Kerry**. Just as a subnote, Mr. Carlton, I would like to send this copy of a check down to you and ask you if you recognize it. It is a check paid to Sud Export and Import Corp., and it is paid on the Defense Forces of Panama check. It is in the amount of $22,000 paid to Sud Export and Import Corp. It is dated March 29, 1984, and it is my understanding that you recognize that check and know what it was for.

Mr. CARLTON. The company which you are referring to was owned by my former partner, Cesar Rodriguez. On several occasions checks like this one were used to pay for services, limousine services, or travel expenses and chartering planes. Cesar would take $5,000 to $7,000 out of this, and the difference went to General Noriega.

Senator KERRY. And I believe you told our staff during the course of previous interviews that this particular check was made out and paid for the transportation of a large number of models who were flown specifically for a party; is that accurate?

Mr. CARLTON. I said that on several occasions parties were organized, and that models were brought in, beautiful girls from the United States, and we would be present at those parties.

Senator KERRY. That was the method by which those parties and those transportation costs were paid for, was through Panamanian Defense Force checks that were routed to Cesar Rodriguez; is that what you are saying to us?

Mr. CARLTON. Yes. That is what I said before and what I am trying to say now. There are many checks like these.

Senator KERRY. And we have some other copies of them, but I'm not going to ask you to identify all of them right now.

That will be entered into the record as exhibit No. 12, I believe is where we are now.

[The document referred to was marked exhibit No. 12 for identification and appears in the appendix.]

Senator KERRY. Mr. Carlton, there is other testimony which we want to take in private session for obvious reasons. So, at some point in the future we will be following up with you in order to do that.

I want to thank you for your testimony here today.

Let me just ask you a quick question in terms of process here. You happened to see Mr. Blandon out here I believe briefly. You saw him as he was leaving; is that accurate?

Mr. CARLTON. Yes, it is.

Senator KERRY. Before today, when is the last time that you saw Mr. Blandon, before today?

Mr. CARLTON. I cannot recall at this time, sir.

Senator KERRY. Is it months ago, 1 year ago, 2 years ago, since you left Panama?

Mr. CARLTON. I think that not since I left Panama 2 years ago.

Senator KERRY. Have you spoken to him in any way since then?

Mr. CARLTON. No, sir.

Senator KERRY. Did you know him in Panama?

Mr. CARLTON. Yes, I did.

Senator KERRY. You knew him to be close and involved with General Noriega and his affairs?

Mr. CARLTON. Yes, I did.

Senator KERRY. Fine. Thank you for that.

What I wanted to point out is obviously that the testimony of Mr. Carlton has corroborated I think point for point what Mr. Blandon said with respect to the arms shipments, the Colombian cartel, the meetings in Panama, the question of shipments, Costa

Rica relationships, as well as the incident of the flight of the Panamanian airplane to El Salvador, and where there has not been corroboration, I think it has been because the witness has said himself that he simply did not have knowledge of those particular events.

It also corroborates the testimony at this point of Leigh Ritch and Mr. Kalish with respect to specific banks, the laundering process, and so forth.

Tomorrow morning at 9 o'clock we will have the last witness in this series of hearings, and that will be Mr. Ramon Milian Rodriguez, who was a major launderer.

Do you know Ramon Milian Rodriguez?

Mr. CARLTON. Yes, I do.

Senator KERRY. What is he involved in, do you know?

Mr. CARLTON. All I know about Mr. Ramon Milian Rodriguez is that he would take money to Panama in private airplanes, and he landed at the military part of the airport.

Senator KERRY. Did you know personally whether or not he met with General Noriega?

Mr. CARLTON. Yes, I heard it said. I heard the intelligence people say so.

Senator KERRY. Well, tomorrow we will hear from Mr. Rodriguez in the completion. That will just be a morning session. There will be no afternoon session tomorrow.

We will begin at 9 o'clock and move right through the morning.

On that note, Mr. Carlton, thank you very much.

We stand recessed until tomorrow at 9 o'clock.

[Whereupon, at 4:32 p.m., the subcommittee recessed, to reconvene at 9:10 a.m., February 11, 1988.]

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: PANAMA

THURSDAY, FEBRUARY 11, 1988

U.S. SENATE,
SUBCOMMITTEE ON TERRORISM, NARCOTICS AND
INTERNATIONAL OPERATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:10 a.m. in room SH-216, Hart Senate Office Building, the Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Also present: Senator D'Amato and Jack A. Blum, special counsel.

Senator KERRY. The hearing will come to order, please.

Good morning, all. This is the last in this series of 3½ days of hearings that will be held this month. We will corroborate today with additional testimony those things that have been said in prior days relative to the money laundering, drug smuggling, criminal enterprise of General Noriega.

In addition, we will go a little bit further on some of the material that has been opened with respect to linkages to the Nicaraguan resistance effort and drug smuggling.

Mr. Milian Rodriguez, our witness today, will return to testify further during the next course of hearings, which is scheduled in March. And I will have some comments at the end of his testimony for today relative to where we have traveled in these past 3½ days and what we believe we have found at this point in time.

We are going to do this in a morning session only, as I announced yesterday. And so we're going to try to proceed as expeditiously as possible.

Mr. Rodriguez, I would ask you if you would please stand so that you may be sworn. Would you raise your right hand.

[Witness sworn.]

STATEMENT OF RAMON MILIAN RODRIGUEZ

Senator KERRY. Would you state your full name for the record.

Mr. RODRIGUEZ. My name is Ramon Milian Rodriguez.

Senator KERRY. What is your date of birth?

Mr. RODRIGUEZ. March 7, 1951.

Senator KERRY. Your social security number?

Mr. RODRIGUEZ. 567-88-0977.

Senator KERRY. Are you presently incarcerated?

Mr. RODRIGUEZ. Yes, I am.

Senator KERRY. Where are you incarcerated?

Mr. RODRIGUEZ. I am in the Federal Correctional Institution at Butner, NC.

Senator KERRY. What crimes were you convicted of?

Mr. RODRIGUEZ. I was convicted of RICO.

Senator KERRY. Racketeering enterprise?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. What specific criminal acts did you commit to be part of the RICO?

Mr. RODRIGUEZ. Money laundering, the transport of cash.

Senator KERRY. You were arrested trying to transport cash out of the country; is that correct?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. How much cash were you trying to transport out of the country?

Mr. RODRIGUEZ. I had $5.4 million with me.

Senator KERRY. In cash?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. And you had your own Lear jet at that time?

Mr. RODRIGUEZ. That's right, my own plane.

Senator KERRY. And you were arrested with the cash in your plane at the airport; is that accurate?

Mr. RODRIGUEZ. Yes, sir. Actually, I was detained at the airport. I was arrested later.

Senator KERRY. How long is your sentence?

Mr. RODRIGUEZ. I am serving a combined total of 43 years.

Senator KERRY. And you are eligible for parole when?

Mr. RODRIGUEZ. 1995.

Senator KERRY. Have any promises whatsoever been made to you with respect to your current status by this committee?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. Have any promises been made to you by anybody with respect to your current status?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. And you understand that you are testifying under oath? You are subject to the pains and penalties of perjury?

Mr. RODRIGUEZ. Yes, I do, sir.

Senator KERRY. And you know that that can mean that, if it is proven that you don't tell the truth here, that you could in fact serve additional time should we prosecute for perjury?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Now, did you offer to tell your story at some time to any law enforcement authorities?

Mr. RODRIGUEZ. There have been negotiations on and off since 1983, but nothing has ever come of it.

Senator KERRY. In 1983 you did go to law enforcement authorities and offer to tell your story; is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. We will go into that later.

Where were you born?

Mr. RODRIGUEZ. I was born in Havana, Cuba.

Senator KERRY. When did you come to the United States?

Mr. RODRIGUEZ. January 17, 1959.

Senator **Kerry**. Just help us out a little bit. I can figure it out, but I'm slow in math today. How old?

Mr. **Rodriguez**. I was about 8 years old.

Senator **Kerry**. About 8 years old.

What did your father do?

Mr. **Rodriguez**. We had several businesses in Cuba. We had a bank and meat packing and some construction.

Senator **Kerry**. And your family was a family of adequate means?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Where did you go to school?

Mr. **Rodriguez**. I graduated from the University of Santa Clara in California.

Senator **Kerry**. What year did you graduate?

Mr. **Rodriguez**. In 1973.

Senator **Kerry**. What did you have a degree in?

Mr. **Rodriguez**. I have a bachelor of science in commerce.

Senator **Kerry**. Do you have any other professional training?

Mr. **Rodriguez**. I am a certified public accountant, enrolled in the State of Florida.

Senator **Kerry**. When did you become a certified public accountant?

Mr. **Rodriguez**. 1976 or 1977, I'm not sure.

Senator **Kerry**. And did you become that in Florida?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. So, at some time after Santa Clara, you moved to Miami?

Mr. **Rodriguez**. Immediately after Santa Clara.

Senator **Kerry**. Is there any particular reason you moved to Miami?

Mr. **Rodriguez**. Well, ethnically it is a magnet for Cubans, and I had contacts in the community.

Senator **Kerry**. When did you become an American citizen?

Mr. **Rodriguez**. In the sixties. I don't remember the exact. The middle sixties, I believe.

Senator **Kerry**. Once you arrived in Miami, what did you begin to work at?

Mr. **Rodriguez**. I worked as an accountant for an accounting firm.

Senator **Kerry**. What was the name of the firm?

Mr. **Rodriguez**. John Haralambibes, CPA. I initially did accounting.

Senator **Kerry**. How long did you work there?

Mr. **Rodriguez**. I worked there until about 1977 or 1978.

Senator **Kerry**. And did you have particularly close connections to the Cuban community because of your father and your ties?

Mr. **Rodriguez**. Yes, sir, I had a very close relationship.

Senator **Kerry**. Did that help you to develop your accounting practice?

Mr. **Rodriguez**. Yes, sir, tremendously.

Senator **Kerry**. Now, at some time did you begin to learn something about money laundering?

Mr. **Rodriguez**. Yes, sir, almost right at the beginning.

Senator **Kerry**. Would you describe that to the committee?

Mr. **Rodriguez**. Well, I had a client who was a very dear friend of the family by the name of Manuel Artime. Dr. Artime was a very well-known leader in the community.

Senator **Kerry**. Dr. Artime had been involved in the Bay of Pigs; had he not?

Mr. **Rodriguez**. Yes, sir. He was the political officer of the Bay of Pigs.

Senator **Kerry**. And he enjoyed a very favorable reputation within the community because of that?

Mr. **Rodriguez**. Yes, sir, he did. He was a hero figure.

He was involved in various anti-Communist efforts. The group that he worked with had just had, recently had a tremendous failure. He needed a new face, somebody mobile, ideologically in tune with his beliefs, someone he could trust.

And I fit those bills for him. He asked me to work for him on certain projects that involved the covert handling of money.

Senator **Kerry**. Can you describe any of the projects that you initially worked on?

Mr. **Rodriguez**. Well, after he arranged for me to start receiving the rudimentary skills in the covert handling of money——

Senator **Kerry**. When you say "the covert handling of money," be more specific? What did you learn how to do?

Mr. **Rodriguez**. Well, it's an interesting field. It requires expertise in accounting, banking, logistics, and security. And I received training in all those areas.

Senator **Kerry**. What kind of training?

Mr. **Rodriguez**. Well, you know, when you are a young college graduate you can just about write your name when you get out of school.

Senator **Kerry**. Today they can't even do that.

Mr. **Rodriguez**. So anyway, I had to learn all about banking secrecy, banking secrecy laws, various vehicles of incorporation.

Senator **Kerry**. Who trained you in this?

Mr. **Rodriguez**. I was trained by teachers arranged through Dr. Artime.

Senator **Kerry**. And your teachers were practitioners in each of these fields?

Mr. **Rodriguez**. The teachers were expert in each of these fields.

Senator **Kerry**. Can you name any of them?

Mr. **Rodriguez**. No, sir. We did not exchange names.

Senator **Kerry**. And what were some of the first projects that you worked on?

Mr. **Rodriguez**. Well, the very first project I ever worked on was delivering money to the families of some agents that had been captured breaking the law in the United States. It's commonly referred to as Watergate.

Senator **Kerry**. So, you were involved in delivering some money to families of the Watergate burglars; is that accurate?

Mr. **Rodriguez**. Yes, the Cubans.

Senator **Kerry**. The Cubans who were involved in that?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And these families were located where?

Mr. **Rodriguez**. In Miami.

Senator KERRY. And the money that you delivered to them, you delivered to them in a way that couldn't be determined; is that fair to say?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. And did you say that you were proud of that or people were proud of that particular effort?

Mr. RODRIGUEZ. Oh, yes, the entire community was. You know, we felt that the Cubans had behaved well. They had done as they were ordered and they took their punishment, and we felt that we owed them backing. We felt that they had been mistreated.

Senator KERRY. And how did you deliver this money?

Mr. RODRIGUEZ. Cash, and there were some transfers, some deliveries to Nicaragua.

Senator KERRY. How much money was delivered specifically; do you remmber?

Mr. RODRIGUEZ. Well, you know, no more than a few hundred thousand dollars. A couple of hundred thousand dollars in total.

Senator KERRY. Where was it delivered to?

Mr. RODRIGUEZ. Well, in the case of living expenses and so forth, they were delivered directly to the families' homes. There were other cases where I made deliveries to accounts specifically in Nicaragua, but I didn't have a need to know.

Senator KERRY. You didn't have a need to know what?

Mr. RODRIGUEZ. Who was the beneficiary.

Senator KERRY. Now, subsequent to that did you begin to gain some accounting clients?

Mr. RODRIGUEZ. Yes, sir. Dr. Artime had many companies that were involved in his work, and I ended up being the accountant for all of his companies. And as any practice grows, I ended up representing many of the principals of the companies, and it just grew and grew.

Senator KERRY. At some time did you begin to have Cuban refugee fishermen as clients?

Mr. RODRIGUEZ. Yes, sir. I—again through old family contacts, I started doing accounting for many of the fishermen. At that time fishing was a very profitable profession. Lobster and shrimp were very profitable, and in the late sixties and early seventies a fisherman could make between $50,000 and $100,000 fishing.

And I represented a great number of them.

Senator KERRY. Did something happen to the fishing enterprise to reduce its profitability?

Mr. RODRIGUEZ. Yes, sir. The Bahamian Government changed its policy on their fishing grounds and started prohibiting the fishermen from fishing in their waters, and it created a tremendous recession in the industry for them.

They were saddled with mortgage payments on their boats. They were living a lifestyle of a man who at that time was making, as I said, between $50,000 and $100,000 a year, and all of a sudden their source of income was cut out.

Senator KERRY. Was there a transition then in the industry?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Would you describe that?

Mr. RODRIGUEZ. They found out that they could substitute their income with smuggling.

Senator KERRY. What did they start smuggling?

Mr. RODRIGUEZ. Marijuana.

Senator KERRY. And were you aware of that at the time?

Mr. RODRIGUEZ. I became aware of it.

Senator KERRY. How did you become aware of it?

Mr. RODRIGUEZ. Well, because there was just no other justification for the amounts of money. They went from making a lot of money to making an incredible amount of money.

Senator KERRY. Describe that? What took place?

Mr. RODRIGUEZ. Well, it was not uncommon in those times for an individual to make $1 million a year. And back then it was a lot of money. It still is.

Senator KERRY. Later we will get into the question of what's a lot of money.

Senator D'AMATO. I agree with you, it still is. And I think Senator Kerry agrees with you.

Senator KERRY. I sure do, but I tell you, as I listened to this I became astonished by the amounts of money.

Did they bring the cash to you personally?

Mr. RODRIGUEZ. Yes. I should interject that we're a very closely knit community, and many of the people that were, say, fishermen also did clandestine work for people like Dr. Artime. So, when the question of handling covert—I mean handling large amounts of money came up, I already had a small reputation as far as handling of money.

Senator KERRY. Is that because of your association with Dr. Artime?

Mr. RODRIGUEZ. Yes, sir. And initially I was asked if I could handle the money, and yes, I could.

Senator KERRY. You used the word "clandestine." Why did you use the word "clandestine" or "covert"?

Mr. RODRIGUEZ. Well, speaking in terms of the fishermen, a boat—I will give you an example. A boat going out to fish in international waters at that time was perfectly able to deliver a team of men in a dinghy to Cuban coastal waters for infiltration, and then the boat could just go on back and fish and come back with a load of fish.

Senator KERRY. Did that take place?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You know that?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. For a fact?

Mr. RODRIGUEZ. Absolutely.

Senator KERRY. How do you know that?

Mr. RODRIGUEZ. I know many of the infiltration teams.

Senator KERRY. We will come back, I think, to some of that.

Let me keep going on the drugs for a minute. For how long were you working, then, laundering this money, processing this money on behalf of these fisherpeople who were smuggling?

Mr. RODRIGUEZ. OK. I should probably put this all in perspective. Right around the time that the fishermen began having problems with the Bahamians, these same fishermen who also worked for us in other things, Dr. Artime developed cancer.

So, at a point in time between 1975 and 1976, he became too ill to work and many of his people were left without a captain. They drifted into the smuggling business because they had the assets. They had boats, airplanes, radios.

Senator **Kerry**. Were many of these people formerly part of the Cuban resistance?

Mr. **Rodriguez**. To a great—a majority, the great majority.

Senator **Kerry**. And did Dr. Artime maintain his ties to the intelligence community during that period; do you know?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. He did?

Mr. **Rodriguez**. During all that time.

Senator **Kerry**. And you know that to a certainty?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. How do you know that to a certainty?

Mr. **Rodriguez**. Well, I trusted Dr. Artime, and some of the things I was asked to do had no other clear purpose than for the benefit of national security.

Senator **Kerry**. Well, again, we're going to get into that a little bit later, I think.

Let me just ask you, were some of these people part of what is known as the Brigade 2506?

Mr. **Rodriguez**. Yes, sir, many of them were.

Senator **Kerry**. Now, again, this is what year specifically?

Mr. **Rodriguez**. Let's put it at 1976, which was really crucial because that was when Artime died and that was when everyone was left to their own devices, which was a real demarcation point.

When you lose your ideological leader and you are somewhat disgruntled—and many of my countrymen feel that they have reason to be disgruntled with America—like water will always choose a course of least resistance, at that time the easiest way to make money, the fastest way, was through drug smuggling.

And many of them went into that.

Senator **Kerry**. Did you at some time—did this process of laundering or processing money for the smugglers lead you to Panama?

Mr. **Rodriguez**. Well, I had contacts in Panama from before.

Senator **Kerry**. Would you describe those contacts?

Mr. **Rodriguez**. Well, I went to school with several Panamanians who later became attorneys.

Senator **Kerry**. When did you go to school there?

Mr. **Rodriguez**. No, when I was at the University of Santa Clara I went to school with many Panamanians who later on assumed positions of importance in Panama.

Senator **Kerry**. Such as?

Mr. **Rodriguez**. Well, some have been political leaders. Others are leaders in commerce.

Senator **Kerry**. Let's be specific. Who did you go to school with who came into positions of importance?

Mr. **Rodriguez**. Well, I went to school with a fellow whose uncle had been secretary of state and was important politically. I'm talking about Mr. Henry Ford.

Senator **Kerry**. Was the position known as secretary of state?

Mr. **Rodriguez**. Ministro del Estado.

And once you've held a post like that——

Senator **Kerry**. His name?

Mr. **Rodriguez**. Henry Ford.

Senator **Kerry**. This is the Henry Ford I think Mr. Blandon referred to the other day.

Mr. **Rodriguez**. If he was associated with him, it could only be the same Henry Ford. We're not talking about Detroit.

Senator **Kerry**. We're talking about a bigger business?

Mr. **Rodriguez**. A little bit bigger; yes.

Senator **D'Amato**. Much more profitable.

Mr. **Rodriguez**. Yes, much more profitable.

Anyway, once you are part of the ruling clique in a country such as Panama, you find that the political positions are——

Senator **D'Amato**. Interchangeable?

Mr. **Rodriguez**. And traded.

Senator **D'Amato**. They just keep going round and round.

Mr. **Rodriguez**. You have a very good understanding of foreign politics.

Senator **D'Amato**. You will find the same thing in a number of countries, not only Panama. But I always marvel—of course, I am not ascribing the same kind of characteristics as it relates to the drug trading, et cetera, but in Italy the politicians never leave until they leave Mother Earth 30 or 40 years later, regardless of what you will find them——

Senator **Kerry**. They never left Mother Earth.

Mr. **Rodriguez**. So anyway, I had through these people very direct contacts to sources of power within the country.

Senator **Kerry**. Can you name anyone else that you went to school with?

Senator **D'Amato**. If you tell me Pete Dupont, I'm going to begin to wonder.

Mr. **Rodriguez**. I went to school with a lot of people. Before I start naming them, I'd like to discuss it with you in executive session.

Senator **Kerry**. I'd be happy to do that. I know you have already given us some names and I have those as a matter of the record previously.

But the connection to Henry Ford is the key connection with respect to your beginning to launder money; is that accurate?

Mr. **Rodriguez**. Well, it was crucial because it gave me the open door into a country that requires pedigree as well as money to deal in the higher circles.

Senator **Kerry**. Describe your first trip to Panama with respect to your money laundering enterprise?

Mr. **Rodriguez**. Senator, that's virtually impossible. I don't think I can remember the first trip I made. I have made hundreds of trips.

Senator **Kerry**. I mean the first one that you used with respect to the money laundering, the first time you went there. Who did you meet with? How did you set up the money laundering operation?

Mr. **Rodriguez**. OK. Let me just interject that I'm going to speak about the first time I established a formal business relationship with a Panamanian official. Prior to that I had informal relationships with many officials. I'm talking about majors, captains, lieutenants.

Senator KERRY. The Panamanian Defense Force?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Did that at that time include General Noriega?

Mr. RODRIGUEZ. No.

Senator KERRY. At that time a colonel or whatever he was?

Mr. RODRIGUEZ. He was a colonel at the time.

But prior to getting into large-scale money laundering——

Senator D'AMATO. Major leagues?

Mr. RODRIGUEZ. Yes, sir.

Senator D'AMATO. You were operating in the minors?

Mr. RODRIGUEZ. Yes, sir.

Well, let's say that I was dealing in the tens of millions. I was going to shortly deal in more than that. So——

Senator KERRY. So, the minor leagues you were involved in when you had these links to colonels, et cetera, you were actually moving millions of dollars, tens of millions?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. At that early stage in the 1970's?

Mr. RODRIGUEZ. Between 1976 and 1979.

Senator KERRY. You would personally fly that money to Panama?

Mr. RODRIGUEZ. At that time, yes, we would fly it, or on occasions we would ship it by boat. There was no set organization for it. It was the simplest thing in the world just to get on a plane and go to Panama with a load of cash. At that time the interdiction efforts were not really in place.

I'm not sure even when the currency transaction reporting requirements came in. But you know, they were a joke at that time. So, practically anyone could get on a plane with a lot of money.

The reason I had to make a more formal arrangement was because it was logistically impossible for me to personally carry that much money on board any plane.

Senator KERRY. Because you were doing so much business?

Mr. RODRIGUEZ. Yes.

Senator KERRY. What year is this?

Mr. RODRIGUEZ. 1979, which is the year that I sat down with General Noriega and reached an accord.

Senator KERRY. Let's describe that meeting. How did that meeting come about?

Mr. RODRIGUEZ. OK. I asked Mr. Ford to arrange a meeting with General Noriega. I think he was a colonel at the time. He was even back then regarded as the person you had to deal with.

Henry was very kind and set up the meeting. I traveled down and met ——

Senator KERRY. How did you fly down?

Mr. RODRIGUEZ. At that time I flew down, I believe Braniff Airlines was the one I was using.

Senator KERRY. Where did you meet with General Noriega?

Mr. RODRIGUEZ. I met with him at Henry's office.

Senator KERRY. Did you meet some Colombian dealers at that time?

Mr. **Rodriguez**. Well, the Colombian dealers predated the meeting with Noriega. As a matter of fact, they were responsible for the meeting. I was, through word of mouth and through success, I was referred to some Colombians who had a problem with cashflow, not in terms of business but actually the flow of cash.

Senator **Kerry**. Which Colombians?

Mr. **Rodriguez**. They are commonly referred to as the cartel.

Senator **Kerry**. Who specifically did you meet with?

Mr. **Rodriguez**. Pablo Escobar Gaviria and some of his lieutenants. I thought I was interviewing them to see if I wanted them to be my client and they thought they were interviewing me to see if they wanted me.

At that time I had no inkling of who they were. But I very quickly got an idea of who they were when we started discussing the amounts of money that they needed handled.

Senator **Kerry**. How much money did they need handled?

Mr. **Rodriguez**. Well, initially I believe we were talking in the neighborhood of $50 to $100 million.

Senator **Kerry**. Over what period of time?

Mr. **Rodriguez**. A month.

Senator **Kerry**. $50 to $100 million a month?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Did this involve Ochoa, the Ochoa brothers also?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Did it involve Carlos Lehder?

Mr. **Rodriguez**. Yes. It involved all of the major boys, because by that time they were starting to experiment with coinsuring. Rather than having one person take a risk for an entire trip, they would cooperate. Each would contribute to their shipment, and if there was an interdiction they would share.

Senator **Kerry**. Share the loss?

Mr. **Rodriguez**. Share the loss on pro rata that they had contributed in merchandise.

Senator **Kerry**. At the time did you negotiate an arrangement between the Colombian dealers and Colonel Noriega?

Mr. **Rodriguez**. Well, I negotiated an arrangement between Colonel Noriega and myself. I was going to——

Senator **Kerry**. Let's be very precise about that, then. This was when?

Mr. **Rodriguez**. In 1979.

At that time I was asked by the—I never thought of them as the cartel, but let's call them the cartel. I was asked to design a system to facilitate the cashflow of their money from the United States out of the United States to any point that I chose.

And the system, as I said, required security, logistical planning, banking contacts. It had to be complete.

Senator **Kerry**. Why you for that? Why not someone else? Why not a Colombian businessman?

Mr. **Rodriguez**. Well, I had a proven track record. I was already dealing with so many people that they knew, that it was a referral, like any other business referral. And I daresay they probably interviewed other people. I just happened to be the one that won the bid.

I knew after speaking with them that there was no possibility of taking on such an enterprise unless I had Panamanian Government support. It was just an astronomical effort, and I felt I needed certain things out of Panama.

Senator D'AMATO. Mr. Rodriguez, could you give us a timeframe? When about was this that this meeting took place? And I'm not asking with precision, but about.

Mr. RODRIGUEZ. Let's say the last 6 months of 1979. I know that I incorporated one company specifically for that purpose and it was incorporated—I don't have the date, but it was in 1979 that it was incorporated. The company was Cambias Monetarios Internacional.

Senator D'AMATO. That's when you for the first time came into contact with Escobar and his lieutenants and the magnitude of $50 to $100 million, and that's when you had that initial meeting with Henry Ford and Noriega; is that correct?

Mr. RODRIGUEZ. Yes, sir.

Senator D'AMATO. I just wanted to get a time reference, Mr. Chairman.

Mr. RODRIGUEZ. So anyway, I had my meeting with Noriega at the time I made my——

Senator KERRY. Who was present at the meeting?

Mr. RODRIGUEZ. He had an aide which I do not know, and Henry was present for part of the meeting.

Senator KERRY. And the meeting took place at?

Mr. RODRIGUEZ. At Henry's office.

Senator KERRY. Henry's office?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Had you ever met Colonel Noriega before?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. Did you know about him?

Mr. RODRIGUEZ. I knew of him. And again, I answered categorically. I had had some social contact, you know, like at a party, that type of thing. But up to that point I couldn't say I knew the man. I knew of him.

Senator KERRY. We keep hearing people say nothing happens in Panama without the approval of General Noriega. How were you able to deal previously with amounts up to $10 million without a deal with General Noriega, then Colonel Noriega?

Mr. RODRIGUEZ. Because, first of all, they were manageable sums. When I say $10 or $20 million, at that time I was probably handling $2 or $3 million at a time.

Senator KERRY. $10 million total?

Mr. RODRIGUEZ. Yes. They were manageable sums, and I dealt with the officer in charge, and I assumed that he answered to his superior and his superior answered, and so forth.

Senator KERRY. General Noriega's control grew substantially, didn't it, around 1983 when he became head of the forces? He wasn't at that time head of the forces, was he?

Mr. RODRIGUEZ. No, he was not. He was just head of army intelligence.

Senator D'AMATO. Mr. Chairman, I am wondering at this point, because I would like for my own edification. And maybe, Mr. Rodriguez, if you are qualified to answer this. It has always seemed to me that there was kind of an uneasy truce or an accommodation between the then leader during that period of time, in 1979, 1980, and 1981 until he died—his name was Torrijos?

Mr. RODRIGUEZ. Yes, sir.

Senator D'AMATO. Torrijos, who was the head of the armed forces, and Noriega. Now, in your opinion was there a looking the other way? Was Torrijos part of this? Was this an independent operation, what you're going to be getting into, the drug operation that was run by the colonel at that time?

What was the situation, if you feel qualified?

Mr. RODRIGUEZ. Well, I will tell you what my understanding was. General Noriega had—let me put it like this. Torrijos is very charismatic.

Senator D'AMATO. He had the people?

Mr. RODRIGUEZ. He had the people.

Senator D'AMATO. It seems to me there was some talk of even threatened revolutions against him, but he took the people to the streets and the soldiers went back to the barracks.

Mr. RODRIGUEZ. He was a very charismatic leader, not very intellectual. He ruled from the heart, not from the brain.

General Noriega, on the other hand, rules from the cunning. He had the intelligence training and he fully recognized the value of the information he received, and he fully recognized how best to utilize that power. So, that's why you had to deal with Colonel Noriega.

Senator D'AMATO. So that while Torrijos was leader in name, you had operating in the army——

Mr. RODRIGUEZ. You had Noriega as the enforcer.

Senator D'AMATO. Do you believe that Torrijos was part of that drug operation?

Mr. RODRIGUEZ. I believe Torrijos had to profit from it.

Senator KERRY. Let me try to caution you here. I don't want to get beliefs.

Mr. RODRIGUEZ. Yes, sir. That's why I used the word "believe."

Senator KERRY. But I don't think we ought to deal in beliefs.

Senator D'AMATO. Mr. Chairman, this is an attempt to establish who was——

Senator KERRY. What you established in terms of that is important. But I want to keep this on a what we know and what you saw and what you dealt with personally, if we can.

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. I think we are better if we just stick with that.

Let me come back if I can. What did you want from General Noriega specifically?

Mr. RODRIGUEZ. I made three basic demands. I wanted complete security for the money from the point that it reached Panama. Prior to that there had been instances of hijacking of couriers. Some had been hurt. I wanted army protection, complete security. If there was a problem once the money reached Panama, they made it good. That was point 1.

Point 2, which was a more intellectual point, something that he was unable to understand and conceded easily, was immediate credit for cash deposits. Banks have a tendency to want to hold your money without your being able to use it for as long as they can.

Senator D'AMATO. That hasn't changed.

Mr. RODRIGUEZ. No, it hasn't. And they treat large amounts of cash just the way they treat a check. If you deposit $10 you can draw on it immediately. If you deposit $10 million, no, you have to wait until we count it, verify it, send it to the Federal Reserve, invest it and make some money on it.

So, we required immediate credit on our money.

And third, we required access to Panamanian assets, wherever they may be. And when I speak of assets, I speak of political and diplomatic sources, the use of diplomatic passports, diplomatic pouches, as well as access to information.

Senator KERRY. Did you strike a deal on those points?

Mr. RODRIGUEZ. Yes, sir, I did.

Senator KERRY. What did he want or what did you offer him? Did he want something or did you offer him something? How did that work?

Mr. RODRIGUEZ. We negotiated. General Noriega always wants more and you always offer him a pittance, and you try to get a mutually agreeable sum.

Senator KERRY. What was the deal that you struck?

Mr. RODRIGUEZ. Well, because he is sort of a slippery and tricky fellow, I was unable to tie him down to specific agreement. We had a sliding rule, depending on how much service we needed.

A rule of thumb would be about 1 percent on moneys delivered to Panama by us. I have paid him less, I have paid him more. I have paid him much more, depending on just how much—for instance——

Senator KERRY. Did it depend on the size of your shipment of money?

Mr. RODRIGUEZ. Size had something to do with it. I wish I could come here and show you a commission scale, like the discount brokers or Merrill Lynch give you. There wasn't a set rate schedule.

Senator KERRY. What was the variation? What was the range?

Mr. RODRIGUEZ. Let's say from——

Senator KERRY. One-half of 1 percent?

Mr. RODRIGUEZ. One-half, 1½, to 10 percent. You know, on a case where you required them to do most of the work.

Senator KERRY. Did he agree to provide you with a safe haven for laundering money?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Did you want information about U.S. law enforcement or intelligence? Did you ask him for that?

Mr. RODRIGUEZ. That was our third point of negotiation.

Senator KERRY. And did you get that?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. So, General Noriega gave you personally law enforcement information or intelligence?

Mr. RODRIGUEZ. Myself?

Senator KERRY. Such as what, or what did you get?

Mr. RODRIGUEZ. Well, let's put it like this. I would get requests and I would forward them on.

Senator KERRY. Requests from whom?

Mr. RODRIGUEZ. The cartel.

Senator D'AMATO. Was that DEA, for example? Did they want to know who were the Drug Enforcement agents, or did you ever have a question about various operations that the drug people or the Customs people may have been undertaking?

Mr. RODRIGUEZ. We're talking basically about the identifying of American agents abroad. We're talking about the use of radio frequencies, schedules, Coast Guard schedules or Navy schedules.

Senator D'AMATO. So, the drug cartel, for example, was able to get through Noriega, or would make requests from you to Noriega as it related to, let's say, the interdiction, the Customs operations, the Coast Guard, radio frequencies for the airplanes that would be used in those interdiction efforts? Is that what you're saying?

Mr. RODRIGUEZ. Yes, sir. I don't want to give the impression that General Noriega on every instance had information, because that's not the case. But certainly it gave him an inkling of what was sellable from his end. If he didn't have it, he could certainly try to obtain it.

Senator D'AMATO. Let me ask you this. Could you give us an estimate as it relates to the moneys that you transferred?

You mentioned $50 to $100 million.

Let me ask you one other thing on this information.

Did Noriega or his associates ever respond to that request through you by giving you some of that information as it related to the airways, as it related to schedules, et cetera?

Mr. RODRIGUEZ. Yes, sir. He was forthcoming with information.

Senator D'AMATO. So, some of those requests he did respond and give you intelligence information as to where the agents were operating with their names and the intradiction routes, et cetera, that were being carried out? Is that correct?

Mr. RODRIGUEZ. Yes, sir. Just as an example, in 1982 I can tell you with certainty——

Senator D'AMATO. I can tell you with certainty they will be attacking your credibility next, but go ahead.

Mr. RODRIGUEZ. Well, if that's the case, let me just use a short pause to tell you something.

I'm here without immunity, without a deal, without protection. I'm here because General Noriega undertook to do me a favor in 1983 which I'm paying him back now. If you wish to call that a personal vendetta, well, then, that's fine.

Senator D'AMATO. I am glad you set the record straight that way. I think it is important. There are so many people trying to cover what happened and they are so embarrassed, they will go to any length to discredit anything which sets the record straight, in my opinion, and we see a concerted effort to do that.

Tell us about 1982, as an example.

Mr. RODRIGUEZ. Well, in 1982 specifically, the cartel had the name and identification of every American agent in Medellin.

Senator D'AMATO. Drug Enforcement agents?

Mr. RODRIGUEZ. Yes, sir, without exception. There were no undercover agents. They were toyed with.

Senator KERRY. Let me just clarify the one point. We were going to come to this later.

But it is your belief, is it not, that you are currently serving time because of the involvement of General Noriega and others? Is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You believe that were it not for General Noriega you would not be in prison today?

Mr. RODRIGUEZ. Absolutely.

Senator KERRY. OK. We can come back to that later on. I just wanted to clarify that now.

Now, where did General Noriega deposit his money?

Mr. RODRIGUEZ. Are you talking about his personal money, or are you talking about all the money that we took to Panama, his business?

Senator KERRY. I was talking about his personal money.

Mr. RODRIGUEZ. OK. Let me explain to you first what a "cutout account" is. No man in the position of General Noriega would——

Senator KERRY. Can I interrupt you? What I would like to do, because I think it is important to understanding this. Let us come back a little bit and have you describe now the process by which this laundering took place.

What did you do? What techniques did you use in order to hide cash, get it to Panama and use the services of the deal you just described? Did you set up dummy accounts, foreign corporations?

Please describe to us the intricacy of this network by which you were able to hide millions.

Mr. RODRIGUEZ. OK. First you have to realize that what you are dealing with is a tremendous logistical problem. Money has volume and weight. Money in the volume that I'm talking about is extremely bulky, extremely difficult to handle, extremely difficult to secure.

So, the first thing that my brief involved was setting up a secure logistical handling of the money. We started out by recruiting a force of employees that were trustworthy to the cartel and making sure they had enough English to get by, and making sure that they were——

Senator KERRY. Where were these employees, in the United States?

Mr. RODRIGUEZ. No, sir. Initially we're talking about Colombia nationals.

Senator KERRY. But where did they work?

Mr. RODRIGUEZ. Inside the United States.

Senator KERRY. Where in the United States?

Mr. RODRIGUEZ. OK. We set up several points of consolidation, which we'll call a safe house. The Colombian——

Senator KERRY. How many safe houses did you set up?

Mr. RODRIGUEZ. Well, the numbers varied, but let's say never less than 10; between 10 and 20.

Senator KERRY. Where were these safe houses located?

Mr. RODRIGUEZ. Miami, New York——

Senator KERRY. Jackson Heights.

Mr. RODRIGUEZ. Pardon me?

Senator KERRY. Jackson Heights?

Mr. RODRIGUEZ. No.

Senator KERRY. You had none in Jackson Heights in New York?

Mr. RODRIGUEZ. No, sir. New York, Chicago, San Francisco, Los Angeles, and in the southern United States we varied a lot. Sometimes we had Dallas, Houston, New Orleans. It was not an area——

Senator KERRY. You are talking about what years, now?

Mr. RODRIGUEZ. I'm talking from 1979 on, you know, when I designed and developed this——

Senator KERRY. So, you brought Colombians who spoke very little English——

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY [continuing]. Specifically to count the money within the safe houses?

Mr. RODRIGUEZ. Yes. We brought them to perform the job of picking up the money.

Senator KERRY. Now, what was the cover for the safe house?

Mr. RODRIGUEZ. Oh, we had innumerable covers.

Senator KERRY. Describe one. You would bring a normal family in, they would live in the house? What would happen?

Mr. RODRIGUEZ. We would bring a family. We would provide a company for which the individual could work so he could have a W-2, a car, and all the expenses.

Then he'd maintain a normal lifestyle.

Senator KERRY. Would these properties be large enough so that there was——

Mr. RODRIGUEZ. Oh, yes. We're talking about large properties, fenced-in electric gates if possible. Not in every instance was it possible, but——

Senator KERRY. The counting of the cash would take place on the safe house property?

Mr. RODRIGUEZ. There were always two safe houses. There was a safe house that was identified to the couriers to which they would deliver money. In this safe house, the money would stay a very short period of time.

There would be a second safe house where the cartel principal would reside. The money would be taken from the first safe house to the second safe house.

The reasoning behind it was that if any of the couriers were ever taken, they would only be in a position to disclose the identity of the first safe house and limit our losses.

The money was verified and put in banking form, stamped and strapped, and boxed in the second safe house, the one that——

Senator KERRY. What kind of boxes?

Mr. RODRIGUEZ. Well, there were boxes that were designed for money. They had the correct dimensions. I wish I had one to show you. I've got about 50,000 of them still left.

Senator KERRY. Do you want to tell us where they are?

Mr. RODRIGUEZ. They're in Miami. I could have one sent to you.

Senator KERRY. Would you do that?

Mr. RODRIGUEZ. If you would allow me at a recess to call down, I could have one——

Senator KERRY. I will allow you at a recess to make the call, and I would like to see one of these boxes.

Mr. RODRIGUEZ. Yes.

Anyway, were designed——

Senator D'AMATO. You are not thinking of going into business when you get out, are you? [Laughter.]

Mr. RODRIGUEZ. No. I can tell you I'm retired.

Anyway, the money was packed in these boxes which were very official looking, and later on we even developed logos, et cetera, for them, and transported to an air freight facility. The money would be transported to an air freight facility that would be under our——

Senator KERRY. When we say "air freight," did we use commercial airlines at that time? Were you using those?

Mr. RODRIGUEZ. Yes. The reason we——

Senator KERRY. Did you use Eastern Airlines?

Mr. RODRIGUEZ. Yes, sir, we used——

Senator KERRY. Did you use Braniff Airlines?

Mr. RODRIGUEZ. Braniff until they went out of business.

Senator KERRY. Was this money literally put on pallets and palletized?

Mr. RODRIGUEZ. Yes. Let me just give you a little idea of why we went into an air freight company. There's a license to consolidate cargo. Now, this is a very valuable license because it allows you to take shipments from various sources and pack it together into a fuselage-type container, or you can strap it together with a fuselage configuration.

So, if you have access to a facility like this, what you do is you put your money in the middle, and you put cargo on the outside, you strap it, and you ship it on a commercial flight quite easily, and that was the way that we—that I designed to get out the large bulk of money.

Senator KERRY. Was this money met on arrival in Panama?

Mr. RODRIGUEZ. The money was met on arrival. The pallet was ——

Senator KERRY. What kind of vehicle would meet this?

Mr. RODRIGUEZ. An armored vehicle with a Panamanian Defense Force detail. They would—we would have our agents strip the pallet, take out the money, it would get loaded on the armored truck, and it would be delivered to the Banco Nacional de Panama.

Senator KERRY. Now, come back a moment. I would like you to go more into the description in the safe house process and transport process.

Mr. RODRIGUEZ. OK.

Senator KERRY. One other question. When you talked about this arrangement with General Noriega for information about law enforcement, did the cartel get the names of those enforcement people that you talked about through General Noriega or through you?

Mr. RODRIGUEZ. Well, you know it's obviously through me except that I love to insulate myself. I believe in using a cutout at all times.

Senator KERRY. What is a "cutout"?

Mr. RODRIGUEZ. A "cutout" is a fellow that breaks the trail between you and your contact. It's used in the banking industry very effectively, and it can be used in the information business also. I almost always work through cutouts. I think that's one of the reasons why it's been so hard to catch me, frankly.

Senator KERRY. Did you, in fact, set up a series of accounts with dummy corporations in order to process money?

Mr. RODRIGUEZ. Yes, I——

Senator D'AMATO. If I might, just to pursue that line that you are following, the chairman asked you whether or not Noriega got this information, and you said "Yes."

Then he asked did he get it through you, and you kind of said "Yes."

Would you go into a little detail? How did he get it? Did you give it to someone else who gave it to him and then that person told you, or did you give it to him directly?

Mr. RODRIGUEZ. When I had requests I sent it through someone that I trusted, and he delivered it to someone that the General trusted, and that way it got to the General. Then when he had it sent back, he sent it through his man who he trusted, and his man gave it to my man who I trusted.

Senator KERRY. How did that specifically get to the cartel? Trace for me the transfer of those names to the cartel.

Mr. RODRIGUEZ. Well, specifically, giving you a name is foolish because——

Senator D'AMATO. No, we do not need a name; but just give us an example of how a transmission went to Noriega and back.

Mr. RODRIGUEZ. All right. I would receive the request from the cartel. We used some devices that we're going to talk about later.

But anyway we had the means of communicating——

Senator KERRY. Were these security devices for communications?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You had very sophisticated communications?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. More so than law enforcement; is that a fact?

Mr. RODRIGUEZ. I don't think they could afford what we could afford.

Senator KERRY. That is accurate, incidentally, because we know some of this equipment.

Mr. RODRIGUEZ. Yes, sir, absolutely.

Senator KERRY. Go ahead.

Mr. RODRIGUEZ. Anyway, the request would be sent to me. I had at that time an agent in Panama that went under the name of Jirio. It's meaningless because that was his code name. I would transmit it to Jirio, and he would do the legwork for me.

I was not in Panama 100 percent of the time. I went there two or three times a week, but, you know, the rest of the time I had other things to do.

So, Jirio would do the legwork. He would meet with his contact man, contact man to Noriega, and back down the line. Once Jirio got the information that was needed and I was informed of it, at that time we would have it picked up by a cartel representative.

Senator D'AMATO. Of your own knowledge, you were in the position to ascertain that the cartel did make a request as it related to law enforcement officials and their activities and identities. You went through an intermediary, forwarded it on to Noriega through one of his intermediaries, get back that information from your intermediator and then forward it on?

Mr. RODRIGUEZ. Absolutely.

Senator D'AMATO. OK. I think that is what we wanted to establish, your direct knowledge of this as a continuous kind of situation.

Mr. RODRIGUEZ. Absolutely. You have to keep up with the flows of——

Senator D'AMATO. You were about to say it is probably continuing right now. I will say that.

Senator KERRY. Was the Eastern station manager or the Braniff station manager on the payroll of the cartel?

Mr. RODRIGUEZ. No, sir. The Eastern and Braniff people were Noriega men.

Senator KERRY. They were Noriega people?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Were they part of the drug process, laundering?

Mr. RODRIGUEZ. I do not know all of General Noriega's endeavors, but for some personal reason of his he maintained a very tight control over the airlines that landed in Panama, a control to the extent that he always was sure to name the station manager dealing out of Miami.

Senator KERRY. But you do know that cargoes received protection at the airport?

Mr. RODRIGUEZ. I know that from personal knowledge, sir.

Senator KERRY. Now, let us come back to the dummy corporations, because I think it is important to draw the picture here.

How many corporations did you set up?

Mr. RODRIGUEZ. Hundreds.

Senator KERRY. These corporations are duly and appropriately filed with secretaries of states in various States in this country? Is that accurate?

Mr. RODRIGUEZ. The companies would be registered to do business in the United States. They would file all the required——

Senator KERRY. In how many different States did you file dummy corporations?

Mr. RODRIGUEZ. It was three major States: New York, Florida, and California. You know, I couldn't even begin to remember any or all of the names, but I've given you the example of Cambios Monetarios, which was my major company.

Senator KERRY. You and I went through a long list of corporations together. Do you remember doing that?

Mr. RODRIGUEZ. Yes.

Senator KERRY. This list of corporations, Virnali Enterprises, Chamara International, and so forth, some of them were legitimate businesses. Is that accurate?

Mr. RODRIGUEZ. Some of them were legitimate.

Senator KERRY. Some of them were specifically set up as dummy corporations for the laundering of money?

Mr. RODRIGUEZ. Precisely.

Senator KERRY. We are not going to go into every one of them here today, but they will be part of the record, and I think I will incorporate the original testimony also in those parts that do not have to be sanitized for security purposes as part of exhibit No. 13.

[The information referred to appears in the appendix.]

Senator KERRY. Now, what countries did you use for the laundering of money?

Mr. RODRIGUEZ. Panama, Curacao, Switzerland, Hong Kong. I've had some dealings with the Caymans but they were not to my liking.

Senator KERRY. What bank? I am sorry.

Mr. RODRIGUEZ. I've mostly touched just about——

Senator KERRY. Why were the Caymans not to your liking?

Mr. RODRIGUEZ. I never felt that I could trust the people in charge.

Senator KERRY. Incidentally, did you use the Bahamas for a period of time?

Mr. RODRIGUEZ. I've used the Bahamas.

Senator KERRY. Did you have problems in the Bahamas?

Mr. RODRIGUEZ. I should answer that "Yes," because the Bahamas lacked a central power figure. You know, it's like having to deal with 50 different people. It was not anything like, say, Panama, where I could go to one source.

Senator KERRY. You mentioned that at one time you had a problem in the Bahamas because you would pay money but you would not necessarily get what you paid for. Is that accurate?

Mr. RODRIGUEZ. Yes, sir. That is what I——

Senator KERRY. Can you describe what you mean?

Mr. RODRIGUEZ. Well, as I said, the basic problem was a lack of central leadership. You know, you pay off one guy and somebody wouldn't agree with him, and you had no way of keeping track of how many people you had to pay off to accomplish a goal.

Senator KERRY. Did you pay off lots of people in the Bahamas personally?

Mr. RODRIGUEZ. No. I had a lot of people do it for me.

Senator KERRY. But you did make available money through your people in order to pay off for transactions in the Bahamas?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You personally did that?

Mr. RODRIGUEZ. Yes, but the Bahamas was never a strong——

Senator KERRY. Understood, but you knew what you were releasing this money to your lieutenants for?

Mr. RODRIGUEZ. Yes, sir, absolutely.

Senator KERRY. You got what you wanted sometimes?

Mr. RODRIGUEZ. Sometimes we did, and sometimes we did not, and we did not—I do not accept that type of arrangement, so that's why——

Senator KERRY. Now, the countries that you mentioned that you laundered money in or dealt with for money laundering, did you also register dummy corporations in those countries?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Have you shared those corporations with us in the other countries?

Mr. RODRIGUEZ. No, sir. I believe the only companies that I have shared with you are the ones in those documents, because those were the only documents captured.

I do not have the other documents. They were numerous, and in many instances those same companies were, in fact, dealing in other countries. I'll give you an example.

I would almost always use a Panamanian corporation as a cutout to a Swiss or Liechtenstein or Luxembourg or Hong Kong company simply because I wanted to ensure that there was no way to get back to my principals.

So, many times we had to go through a double set. You make a Panamanian corporation that is absolutely untraceable, and then you go to the host country if we're talking about Curacao, and you make the Panamanian company a stockholder of the Netherland Antilles company. That way you can disclose the owner of the stock in the Antilles company by just disclosing the Panamanian company but kill the trail.

Senator **KERRY**. Now, this network of companies that you created and your money laundering operation grew into an extraordinary business; did it not?

Mr. **RODRIGUEZ**. Yes, sir. It went far beyond my wildest expectations.

Senator **KERRY**. How much money did you begin to handle?

Mr. **RODRIGUEZ**. Well, toward the end of my career I was handling approximately $200 million a month.

Senator **KERRY**. $200 million a month?

Mr. **RODRIGUEZ**. Yes, sir.

Senator **KERRY**. You were laundering that out of the United States?

Mr. **RODRIGUEZ**. Yes, sir.

Senator **KERRY**. Mostly were you laundering it out of one principal location or many locations?

Mr. **RODRIGUEZ**. Well, we, of course, operated, like I said, New York and Chicago——

Senator **KERRY**. But now once the money came from the safe house in New York, was there a central collection point?

Mr. **RODRIGUEZ**. Yes, sir. We had a consolidating facility.

Senator **KERRY**. Where was the consolidating facility?

Mr. **RODRIGUEZ**. In Miami.

Senator **KERRY**. You would ship this money out of Miami?

Mr. **RODRIGUEZ**. Yes, sir. As I said, we would put it on the pallets and ship it out of Miami.

Senator **KERRY**. Did you also have private aircraft available to you?

Mr. **RODRIGUEZ**. Oh, yes, many private aircraft.

Senator **KERRY**. Did you own them?

Mr. **RODRIGUEZ**. I either owned them or had access to them. We had——

Senator **KERRY**. How many airplanes did you have access to?

Mr. **RODRIGUEZ**. Well, I'd say at any one time I probably could get my hands on 40 or 50 aircraft.

Senator **KERRY**. What kind of aircraft?

Mr. **RODRIGUEZ**. From a 727 on down.

Senator **KERRY**. What did you own?

Mr. **RODRIGUEZ**. Well, I personally owned a Lear jet.

Senator **KERRY**. What kind of Lear jet?

Mr. **RODRIGUEZ**. A 25-E.

Senator **KERRY**. Is that the one you were arrested in?

Mr. **RODRIGUEZ**. Yes, sir, and we had other planes——

Senator **KERRY**. Why were you moving $5.4 million yourself at a time when you had hundreds of millions a month moving?

Mr. **Rodriguez**. This will sound frivolous. First of all, there were certain payments that I always made personally, and I don't want to say that was my petty cash, but that was my cash on hand. I never kept less than $3 or $4 million cash on hand.

If you'll notice, I was going to Panama, and the reason that I would take cash to Panama—and there were more than one reason for doing it, but, first of all, on consolidated shipments, the shipments would go with, for lack of a better term, a bill of lading which would instruct the bank into which accounts the money would be deposited.

We did not like to break up those shipments and have the commissions for handling taken out of those shipments. We wanted those shipments deposited in tact. We wanted to maintain the integrity of the shipments because that way we could determine if there was a shortage, which courier was responsible for it, which person at the bank was responsible for counting it, and that was important to determine if we were being cheated at the bank or being cheated by the couriers.

So, we wanted to maintain the integrity of our major shipments. So, the money that I took to Panama was to make the payoffs, in effect.

Senator **Kerry**. Now, you told me you also carried a considerable amount of money in your car. Is that accurate?

Mr. **Rodriguez**. Yes, sir. Like I say, I never had less than $2 or $3 million on hand.

Senator **Kerry**. Where would you put it in your car?

Mr. **Rodriguez**. In the trunk of my car.

Senator **Kerry**. What kind of car did you drive?

Mr. **Rodriguez**. Well, I owned just about every major automobile made.

Senator **Kerry**. What did you have in your fleet?

Mr. **Rodriguez**. A Rolls Royce, a Maserati, a Ferrari.

Senator **Kerry**. Did you buy American at all? [Laughter.]

Mr. **Rodriguez**. Yes, sir. Surprisingly enough, our fleet of courier cars were all American made and used.

Senator **Kerry**. Did you get fleet discounts?

Mr. **Rodriguez**. No, we always bought used cars. We never haggled on the price, and we never transferred ownership.

Senator **Kerry**. Did you have any helicopters available?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. How many helicopters?

Mr. **Rodriguez**. I had six. We had some Bell Rangers.

Senator **Kerry**. How old were you during all of this?

Mr. **Rodriguez**. Well, I reached my peak at 28.

Senator **Kerry**. Share it with us. What was your lifestyle like? Give us a sense of how you lived.

Mr. **Rodriguez**. Well, I lived very comfortably. I had just about the best that the world had to offer. I had a very nice home. I had my suits tailored at Saville Row, my shirts made in Paris. I lived within my means. [Laughter.]

Senator **Kerry**. I do not know what to say to that.

Were you a good tipper?

Mr. **Rodriguez**. I was always fair.

Senator **Kerry**. Let me come back here now for a second.

During this time when you lived this well, you had these flamboyant cars, you had a terrific lifestyle——

Mr. Rodriguez. I had a marvelous cover, too. I was a very highly respected professional in the community. I was on the board of several banks.

Senator Kerry. What banks were you on the board of?

Mr. Rodriguez. Ponce de Leon Savings and Loan.

Senator Kerry. In Miami?

Mr. Rodriguez. Yes. I was an advisor to them. I was on the board of several important companies.

Senator Kerry. Give us some names.

Mr. Rodriguez. I would hate to besmirch——

Senator Kerry. The companies?

Mr. Rodriguez. The companies.

Senator D'Amato. You were a successful accountant; were you not?

Mr. Rodriguez. Yes, sir.

Senator D'Amato. Did you maintain an active accounting practice?

Mr. Rodriguez. Yes, sir.

Senator D'Amato. Did you have people working for you also?

Mr. Rodriguez. Yes, sir. I had approximately—I believe IRS will verify that they've audited 1,200 clients.

Senator Kerry. You told me you are currently having some meetings with IRS. Is that accurate?

Mr. Rodriguez. Yes, sir.

Senator Kerry. Is it an ongoing relationship?

Mr. Rodriguez. We have a long and ongoing relationship that will probably be going on until the day I die.

Senator Kerry. Did you ever have to pay anybody in the United States in order to facilitate your shipping process?

Mr. Rodriguez. You are talking about an official of the United States?

Senator Kerry. Law enforcement authorities or otherwise.

Mr. Rodriguez. I personally never did.

Senator Kerry. Did your organization?

Mr. Rodriguez. I have reason to believe that they did.

Senator Kerry. Let us not deal with what you believe.

Mr. Rodriguez. Yes. I don't want to get into that because that's the type of activity that I found extremely, extremely dangerous, and I would not want to expose my operation to that, my money operation.

Senator Kerry. I am going to come back and revisit that a little bit later.

How was the money prepared for shipment out? Just the boxing?

Mr. Rodriguez. It was boxed. It was, of course, put in banking form.

Senator Kerry. Who did the boxing?

Mr. Rodriguez. Armed employees.

Senator Kerry. Were these the same people that did the counting?

Mr. Rodriguez. Yes. Not the same people who were the couriers. They were at the second safe house.

Senator KERRY. These are the people who were brought from Colombia? Is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Did the organization pay off employees of various agencies at low levels?

Mr. RODRIGUEZ. Yes, yes, and I think you're leading to local officials.

Senator KERRY. Miami, et cetera.

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You did?

Mr. RODRIGUEZ. Yes, sir, at local levels, yes.

Senator KERRY. Now, how do you account for being able to avoid detection for as long as you did?

Mr. RODRIGUEZ. Well, there are two theories to that. I'm either very good, or I had some help.

Senator KERRY. How much money were you earning at that point for your services?

Mr. RODRIGUEZ. Of course, I wasn't really keeping track. I was earning——

Senator KERRY. Roughly.

Mr. RODRIGUEZ. Probably about $2 or $3 million a month, and that's——

Senator KERRY. Roughly $2 or $3 million a month of income to you?

Mr. RODRIGUEZ. Yes, sir. If I take it all into—I never really had an accounting system where I got to the bottom line.

Senator KERRY. Did you ever tell this to any investigator for the U.S. Government prior to your testifying before this committee?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. At what times and when if they are multiple, or are they singular?

Mr. RODRIGUEZ. Well, I had a very brief talk with a fellow by the name of Arthur Summerall.

Senator KERRY. With what agency?

Mr. RODRIGUEZ. U.S. Customs.

Senator KERRY. Where?

Mr. RODRIGUEZ. In Miami.

Senator KERRY. When was that?

Mr. RODRIGUEZ. The day I got stopped.

Senator KERRY. The day you were stopped?

Mr. RODRIGUEZ. Yes, the day I was detained.

Mr. Charles Sathos of the Justice Department was present, and later on there were other agents but I don't know their names.

Senator KERRY. Did you ever meet with any D.A. agents or drug task force?

Mr. RODRIGUEZ. These fellows were working with the Vice President's drug task force.

Senator KERRY. When was this?

Mr. RODRIGUEZ. In 1983, Sathos and Summerall were.

Senator KERRY. So, in 1983 you talked with members of the Vice President's drug task force?

Mr. RODRIGUEZ. Yes, the South Florida Task Force.

Senator KERRY. The South Florida Task Force?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. What was the substance of that discussion?

Mr. RODRIGUEZ. Well, I don't know if we really want to get into that in open session.

Senator KERRY. I tell you what. Why not reserve that question? We will talk about it later. I am not sure why we would not, but you can tell me why and we will make a decision as to whether we will or not, and we will come back and revisit that.

Can you give us a sense during the time you had this arrangement? The arrangement with Panama ended essentially with your arrest in 1983?

Mr. RODRIGUEZ. Yes, sir. May 1983 was when I——

Senator KERRY. Was when you were arrested.

Mr. RODRIGUEZ. When I was arrested.

Senator KERRY. How much money did you pay to Noriega during the time you had this arrangement?

Senator D'AMATO. You or your group, that is.

Mr. RODRIGUEZ. I was making I would say between $2 to $4 million a month from my money operations, and I if I had to pick an average figure I would say I was probably paying him a total of $10 million a month, including all operations.

I made payments for things I did not know the reason I was making the payoff for.

Senator D'AMATO. You mean the cartel would instruct you to make a certain payment?

Mr. RODRIGUEZ. Yes, sir.

Senator D'AMATO. Since you handled the moneys, you are saying now that you paid him as much as $10 million a month?

Mr. RODRIGUEZ. Yes. I say it was a good average figure to go by.

Senator D'AMATO. For how long a period of time? Was that from, let us say, 1980 through 1983?

Mr. RODRIGUEZ. Well, it started late 1979 on. It wasn't $10 million a month in 1979. It grew and escalated, and that $10 million a month is probably what he was getting at the end.

Senator KERRY. Let me ask an obvious question that some people may want to ask you and someone will probably throw out. I do not think I have ever asked you this, and I was struck by your statement because I never heard you say specifically so directly this linkage to the arrest and Noriega.

Obviously you are angry at him; you want to get back at him.

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Why should I believe you gave $10 million to Noriega if you are so anxious to get at him? Is it not pretty easy now? You are in jail; you want to say, "Hey, the guy gave me $10 million"; you are going to blame him for the arrest; and we can dismiss that.

Why should I say Milian Rodriguez, who is in jail, is credible in saying that he gave $10 million to Noriega because he is mad at him?

Mr. RODRIGUEZ. Well, I really can't give you a reason. I pointed out that I had a personal grudge for the man because I think I owe it to you to be fair.

Senator KERRY. On the other hand, you have never been prosecuted for any of that, have you?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. You have never been prosecuted for any of these other things that you are telling us you were involved in?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. You are serving your 47 years——

Mr. RODRIGUEZ. Forty-three.

Senator KERRY. I did not mean to add to your sentence, but the 43 years you are serving are for this one instance of the $5.4 million or for the ongoing criminal enterprise?

Mr. RODRIGUEZ. I'm serving for the ongoing criminal enterprise.

You know, I have some personal reasons why I'm testifying, and it adds up to more than just that I'm mad at General Noriega, but I would like to reserve them. Perhaps at a later date I will share them in public, and maybe after recess I'll share them with the public.

Senator KERRY. Why not talk to me about them, and we will make a determination of that.

But it obviously is important in terms of your credibility and so forth.

Mr. RODRIGUEZ. Yes, sir.

Senator D'AMATO. Mr. Chairman, I am wondering, just to get us——

Senator KERRY. Let us add one thing to that. Our staff has checked out a great number of the things you have said, and obviously you have corroborated other witnesses significantly, and they have corroborated you both by having seen you in Panama, knowing you were engaged in this, and knowing of the detail.

Also, you have give us privately an extraordinary number of names, actual corporations and so forth which have checked out.

So, this committee obviously has been comfortable in putting you on, but I want the public to understand that. I think after the recess we should revisit it.

Mr. RODRIGUEZ. Sure.

Senator KERRY. Senator D'Amato.

Senator D'AMATO. Mr. Chairman, for a long time I have maintained that people just really do not have simply any idea of the scope and the magnitude of the dollars involved here, and I think Mr. Rodriguez begins to put this in perspective.

He was the man who set up this money laundering enterprise which the cartel turned to. Even in spite of his youth at that time, it is obvious from his testimony one can see that this is a man who has extraordinary ability in this area.

Because I know of billions and billions of dollars annually that move through, I would like you to shed some perspective in terms of your operation as it related to just the money that you handled.

I am sure the cartel had other people in other areas of the world operating also, but this being the Central American, Panamanian for the most part, operation, how much a month did you launder, understanding that every month was not the same? If you could give us an idea of an average.

If Noriega was, let us say, getting as much as $10 million, how much in the total flowed through that operation?

Mr. RODRIGUEZ. My average figure at the end was right around $200 million a month. The total payoff to General Noriega included many other services that he had.

Senator D'AMATO. I understand that, but, in other words, you were handling through the Panamanian banks about $200 million a month?

Mr. RODRIGUEZ. Yes, sir.

Senator D'AMATO. In other words, we are talking about approximately $2.5 billion a year that your operation, that which you handled, flowed through those banks?

Mr. RODRIGUEZ. Yes, probably for the last 2 years.

Senator D'AMATO. I think that just gives people a sense——

Senator KERRY. Let me add to that, if I may.

How much money were you controlling of cartel cash and assets in the United States that you personally were making decisions about and controlling?

Mr. RODRIGUEZ. Boy. Hundreds of millions of dollars. It was, you know, we were talking about CD's that had to be rolled over, property——

Senator KERRY. Let me just lead up to this. You invested for the cartel here in the United States; correct?

Mr. RODRIGUEZ. Yes. I was——

Senator KERRY. That is what they did with their drug money. The proceeds, once laundered out of Panama, came back in and were invested.

Mr. RODRIGUEZ. All money that gets laundered returns to the United States.

Senator KERRY. It was invested in real estate.

Mr. RODRIGUEZ. Real estate.

Senator KERRY. CD's.

Mr. RODRIGUEZ. Stocks and bonds; you name it. They have a very diversified portfolio.

Senator KERRY. You suggested to me at one point that you were controlling perhaps as much as $10 or $11 billion of assets in the United States.

Mr. RODRIGUEZ. That was in 1983, total. We had 11——

Senator KERRY. Is that accurate—$11 billion that you were controlling?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Now, is it true or is it not true that banks in the United States were anxious to get hold of your money?

Mr. RODRIGUEZ. Yes, sir. Banks, I would say it would be fair to say that American banks courted my business.

Senator KERRY. Would you describe to me, as you did previously, what that entailed?

Mr. RODRIGUEZ. Well, in the specific case of American banks, they have—for one thing they have a special representative for people like me.

Senator KERRY. Tell me a bank that you dealt with. Let us lay it on the table. What bank courted you?

Mr. RODRIGUEZ. All of them. I dealt with Citibank, Citicorp, Bank of America, First National Bank of Boston, which are the real major money banks. They are banks that can take a $200 million CD easily. You just can't place that kind of money with a ma-and-pa bank in Des Moine, IA.

Senator KERRY. You would personally place, you, Milian Rodriguez——

Mr. **Rodriguez**. Yes, sir. I was the person in charge of that.

Senator **Kerry** [continuing]. Placed a $200 million CD somewhere?

Mr. **Rodriguez**. Yes. I always dealt in increments of either $100 or $200. Just in case I ever needed to cash one in quickly, I didn't want to lose a lot of interest and so forth.

Basically I handled most of it out of New York.

Senator **Kerry**. Out of what offices in New York?

Mr. **Rodriguez**. Their headquarters.

Senator **Kerry**. Where is that located?

Mr. **Rodriguez**. Gee. I've always had a driver and limosine.

Senator **Kerry**. Oh, the bank headquarters. You mean out of the bank headquarters?

Mr. **Rodriguez**. Yes, sir.

So, anyway, I had a contact man who was fully cognizant of who I was.

Senator **Kerry**. Was there competition among banks for your money?

Mr. **Rodriguez**. Yes, sir. As a matter of fact, we always played them one against the other. So and so gave me 8¼. Why should I—if you can't give me one-eighth more, I'm taking my money, that sort of thing.

But, you know, basically I was not in the business to cause a bank run on any bank.

Senator **Kerry**. Now, did the bank have any reason to know other than that this might be the representative of foreign government with a lot of money to invest in the United States?

Mr. **Rodriguez**. In every instance the bank knew who they were dealing with.

Senator **Kerry**. What do you mean "who they were dealing with"? They were dealing with Milian Rodriguez.

Mr. **Rodriguez**. They were dealing with Milian Rodriguez, who represented money from South America, and their corresponding banks in Panama knew where the money came from because we required certain things from them.

We required—let's take a case of something that's called a back-to-back loan. I have an individual that wants to borrow $1 million in the United States, and he's practically destitute in the United States.

So, we go to the bank's Panamanian office, place $1 million on deposit there and issue instructions to lend out of their American bank $1 million to so and so unsecured. We would subordinate the $1 million in Panama to guarantee the American loan, but they knew what they were doing. It was not as like they didn't have an inkling of what that purpose was.

Senator **Kerry**. Money speaks.

Mr. **Rodriguez**. Marvelously.

Senator **Kerry**. Were there other special arrangements that were made with respect to the banking process?

Mr. **Rodriguez**. Not that I can think of. I should say that in money laundering the banking side of it is really the most simple. The problem is getting the money to the banks, into the system.

Senator **Kerry**. A pilot here testified the other day saying, of the process of the arrival of money and offloading, he said it was his area of responsibility to coordinate a great number of things, one of which was the groundcrew coordination for loading, unloading, transportation.

Apparently this gentleman went beyond that scope and had not only fundamental business interests, but interests that extended to the Panamanian Government, deeply within the Panamanian Government.

Does that describe some of the personnel at the airport? Is that accurate?

Mr. RODRIGUEZ. Yes. But for instance, in our case we used our own ground personnel.

Senator KERRY. You had your own ground personnel?

Mr. RODRIGUEZ. We would unpack the consolidated shipment and then we would turn it over to the armed forces.

Senator KERRY. Did the armored cars have any markings on them?

Mr. RODRIGUEZ. Yes, sir. It's a major U.S. company.

Senator KERRY. I understand it's been a growing industry there; is that accurate?

Mr. RODRIGUEZ. Yes. Brinks is the armored car company.

Senator KERRY. Are there others besides Brinks?

Mr. RODRIGUEZ. Yes, sir.

We own armored cars ourselves.

Senator KERRY. You own your own armored cars?

Mr. RODRIGUEZ. Yes.

Senator KERRY. Are you aware of what kind of investments the cartel began making in Colombia itself?

Mr. RODRIGUEZ. Well, the cartel—you should remember that with their money they could afford the very best brains. And they, realizing their limitations, went out and got some very good brains.

The cartel is into communications, transportation.

Senator KERRY. They bought a newspaper or newspapers in Colombia?

Mr. RODRIGUEZ. Sure, and a TV station.

Senator KERRY. They bought a TV station. What else have they bought?

Mr. RODRIGUEZ. I believe several soccer teams are sponsored by them. Airlines.

Senator D'AMATO. Politicians?

Mr. RODRIGUEZ. Yes, sir.

Army personnel, that type of people. It's a very vertically and horizontally integrated conglomerate.

Senator KERRY. Was there a time when the Medellin cartel went to war with the M–19 revolutionaries in Colombia?

Mr. RODRIGUEZ. Yes, sir. That happened.

Senator KERRY. Did you attend a meeting where the war on the M–19 was discussed?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. How much money was involved?

Mr. RODRIGUEZ. Oh, I think, you know, the number, it was $7 million that was put up by the whole group.

Senator KERRY. To do what?

Mr. RODRIGUEZ. Well, each group not only contributed money, but contributed their most sadistic sociopaths to the group. These people were armed——

Senator KERRY. You literally put together a private army; isn't that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. A private army of about 2,000 people?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. How did this war come about? Why did you have to put a private army together of 2,000 people?

Mr. RODRIGUEZ. There was—M-19 decided to finance its efforts by kidnaping the family members of known drug people.

There came a time when they kidnaped one of the Ochoa women. Now, this thing had been escalating, and after a few meetings the consensus was that, if something wasn't done to stop them, it would just get totally out of hand.

At that time, because the cartel is not your most educated group of people, some of the people who counseled them, such as myself, were brought in. And we explained to them what terrorism is, what training is involved. We explained to them some of the methods of combating terrorism.

They were somewhat impressed and they wanted to carry out that type of operation, to get rid of the M-19 threat.

Senator KERRY. So, this was a war within Colombia for control of the ability to conduct operations freely in Colombia?

Mr. RODRIGUEZ. Yes, it was a military operation to get rid of a threat, both politically and economically. You must remember that M-19 is Marxist-Leninist in ideology and the cartel is, of course, a capitalist enterprise. They don't think of themselves in those terms, but they are.

Once we were able to explain to them what their threat was, because they had never been able to visualize it that way, they wanted some action.

Senator KERRY. What kind of weapons did they arm this private army with?

Mr. RODRIGUEZ. Basically there was no preferred weapon. You find all the soldiers that were contributed had their own weapons. Many of them preferred, of course, automatic weapons, and I would say that almost 100 percent of them had automatic weapons, whether they were M-16's, AK-47's, or Uzi's.

It was up to them, but we were able to provide anything they wanted.

Senator KERRY. Who won the war?

Mr. RODRIGUEZ. The cartel, beyond a doubt.

Senator KERRY. How did the win the war?

Mr. RODRIGUEZ. Well, they won it using the—have you ever heard of a book called "Handbook for the Urban Guerrilla," by Carlos Mariglella? Well, we taught these people how to become terrorists. We taught them how their enemies would react and how they should react to counter that.

That's why I mentioned that they contributed their sociopaths, because an urban guerrilla will use a child as a shield, and if you want to win a war against them you have to have a man behind the gun who will shoot through the child.

It was a ruthless and bloody war.

Senator KERRY. What period of time did this go on?

Mr. RODRIGUEZ. Several months.

Senator KERRY. What year?

Mr. RODRIGUEZ. Late 1980, 1981.

And it ended with the Ochoa woman returned unharmed and a peace conference between what remained of M-19, which was in tatters——

Senator KERRY. Most of the M-19 was killed?

Mr. RODRIGUEZ. Most of them were.

Senator KERRY. Brutally; is that accurate?

Mr. RODRIGUEZ. Yes, sir. Not only were they killed brutally, but the brutality was made public. After all, you know, Lenin said "The purpose of terrorism is to terrorize." So, the victims were hung up from trees, they were disemboweled, with signs on them, to discourage the population from cooperating with them.

So, it was a very successful operation, not something to be proud of in humanistic terms, but something to be proud of——

Senator KERRY. So, M-19 sued for peace with the cartel?

Mr. RODRIGUEZ. Yes.

Senator KERRY. And there was literally a meeting between them?

Mr. RODRIGUEZ. There was a meeting, and it was an interesting meeting because the person that came to this meeting came wired as a human bomb.

Senator KERRY. Which person?

Mr. RODRIGUEZ. The M-19 representative. I don't know his name. He came ready to die or to find an accord.

Senator KERRY. And has that accord that has been reached now seen the M-19 receiving some of—being involved in narcotics trafficking?

Mr. RODRIGUEZ. Yes, sir.

I want to point out that I was vehemently opposed to that accord. As a Cuban, I cannot accept dealing with Communists.

Senator KERRY. It's fair to say that you remain—and I know this from private talks with you—from your boyhood and your experience in Cuba, you're a passionate anti-Communist.

Mr. RODRIGUEZ. Yes, sir, absolutely.

Senator KERRY. We will go into that a little bit later.

Mr. RODRIGUEZ. So, anyway, we warned, the counselors warned the cartel leadership that making a deal with M-19 was extremely dangerous, because M-19 had an ideologically formed cadre that could not be bought.

Their position was that they could buy anyone, because they are naive in that sense. And we were very afraid of what M-19 could grow into.

The average cartel member is uneducated, most of the time illiterate, whereas the average M-19 cadre has usually spent a great deal of time in Cuba, is fanatical in his beliefs or her beliefs, and money does not impress them. Money to them is only a means to their end.

Senator KERRY. So, you define that as a threat to the ability of the cartel ultimately to do what it did best, which was make money?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. On that note, we're going to take a 15-minute recess and then we will proceed to completion. We stand in recess for 15 minutes.

[Recess.]

Senator KERRY. The hearing will come to order.

We have a considerable amount of territory to try to cover in a short span of time, so I want to try to keep moving along as rapidly as we can.

Mr. Rodriguez, I thank you for the detail of your answers and I want that detail. I think it's very important. If we can try to keep moving expeditiously, I think it would help everybody.

I will remind people that Mr. Rodriguez will not testify as to all the things that he knows today regarding some of these matters, because we are holding some of it for the subsequent hearings that will follow, in order to try to keep corroborative evidence together.

I would like to go back to one area, and that is the payments to General Noriega. You talked about the $10 million or so at one period of time and that it varied and so forth.

Could you be more specific as to how that money got from you to General Noriega?

Mr. RODRIGUEZ. OK. In any given month, within 10 days from the end of the month we would have a total tally of our operations and our accounts payable, including General Noriega's payable portion.

At that time, I would notify the General's representative that we were ready to pay and for them to please specify how they wanted the payments made. Any time—say you're paying $7 million in 1 month. Well, he didn't necessarily need $7 million cash.

It's possible that he had several needs around the world, and I think he just found it a little more convenient for him to say: "Well, account so-and-so in such a bank, put $2 million in that one; account so-and-so in this bank, $2 million; and another $1 million to such and such a company."

Senator KERRY. Let me interrupt you for a minute. I don't want you to surmise what he did. What I want to find out is what you specifically did.

Did you receive a specific instruction from General Noriega?

Mr. RODRIGUEZ. Yes, sir, we received specific instructions, and we carried them out.

Senator KERRY. And the carrying out involved what? Placing money in a specific account somewhere, or in Panama?

Mr. RODRIGUEZ. Placing money in specific accounts, in specific companies, and sometimes cash payments.

Senator KERRY. Did you ever make cash payments?

Mr. RODRIGUEZ. Well, I had——

Senator KERRY. Someone deliver them?

Mr. RODRIGUEZ. Yes, I had my agent deliver them, yes, sir.

Senator D'AMATO. Was there a particular bank, for example, a central point where those dollars were? Let's say *x* dollars, and you then got where the General wanted his portion of the money, whether it was $7 or $10 million, distributed?

How did that take place? Was it by bank transfer from a particular bank? Did you use one bank to start to make those payments?

Mr. RODRIGUEZ. No. I think it's fair to say we used just about every bank in Panama. We would——

Senator D'AMATO. Were they wired?

Mr. RODRIGUEZ. If he wanted money placed outside of Panama, they were wired. If it was an account in a bank within Panama, not so.

But for instance, if a bank—since we just about had balances in all the banks, if a bank—if he named a bank and an account number in the bank—of course the account number is meaningless. It is a one-time cutout for their purposes.

But most of the time, I would have funds available in that bank. So, I would just transfer it from the account in that bank to that new account number. It would be infrequent that a bank would be named that we did not have ongoing ties with and have funds available in.

Senator KERRY. What banks did you use in Panama? What were the principal banks you did business with?

Mr. RODRIGUEZ. Well, we used just about every bank in Panama. Now, as far as I personally——

Senator KERRY. How many banks are there in Panama?

Mr. RODRIGUEZ. There are about 140 banks. But you have to remember that when you're handling the volume of money we were handling for the number of people we were dealing with, you find that you have an acquaintance with a client at just about every bank.

And we were constantly—we just didn't take these millions of dollars and park them into the bank. We were paying out bills, we were paying out for equipment and merchandise, et cetera.

Senator KERRY. Now, where are all the documents and records which were attendant to this accounting process?

Mr. RODRIGUEZ. Well, there were two sets: One in my computer in Miami, which was destroyed; and another one in the cartel's accounting office in Panama.

Senator KERRY. When was your computer destroyed?

Mr. RODRIGUEZ. It was destroyed when I was arrested, because it was a hard-disk-drive computer. You cannot move a machine like that without securing the disk. The agents that made the seizure apparently were unaware that they had to treat the hard disk——

Senator KERRY. So, you're saying it was destroyed accidentally by law enforcement authorities?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Who were trying to secure it?

Mr. RODRIGUEZ. Yes, sir. They moved it out of my office and they treated it like another piece of furniture.

Senator KERRY. And the information was lost?

Mr. RODRIGUEZ. Yes. And they tried their darnedest to put it together, but were not able to.

Senator KERRY. Now, coming back to the law enforcement piece of this, you said that you talked to members of the task force, Southern Drug Task Force, when you were detained.

What did you tell them?

Mr. RODRIGUEZ. Well, I told them they were making a mistake, that they should talk with me at length before they arrested me.

Senator **Kerry**. You were prepared to give them information then? Did you want to strike a bargain?

Mr. **Rodriguez**. I wanted to strike a bargain. I didn't think I was going to give them any information they didn't already have. I think that I wanted all Government agencies to speak to each other before a decision was made on me.

Senator **Kerry**. And did they listen to you? Did they offer to take that under advisement or not?

Mr. **Rodriguez**. No, I think that they thought I was speaking untruthfully to them. And quite frankly, a $5 million seizure was a big thing.

Senator **Kerry**. A big seizure for them?

Mr. **Rodriguez**. Yes, it was a big seizure for them.

Senator **Kerry**. The record should show that staff has interviewed the authorities who made the arrest, and that will later be made part of the record. There was an indication at the time that they thought they had a very significant drug trafficker and they had a big bust, and they thought he was doubletalking to them and proceeded, I guess, with the arrest.

Is that accurate?

Mr. **Rodriguez**. Yes, sir.

Senator **D'Amato**. If I could just go back a step, there were two things that I'd like you to touch on. One, Mr. Rodriguez, as it related to the total amounts of dollars that you paid or were instructed to pay over to General Noriega from that, starting in 1979 until you were arrested in 1983. Could you estimate for us—and you said it got to about $10 million a month.

How much over that period of time did you pay?

Mr. **Rodriguez**. From 1979 to 1983?

Senator **D'Amato**. Yes.

Mr. **Rodriguez**. Again, we are talking ballpark figures. Between $320 to about $350 million.

Senator **D'Amato**. And this again, as Senator Kerry has elicited from you, came by way of instructions into which accounts to place the money?

Mr. **Rodriguez**. Yes, sir.

Senator **D'Amato**. And to which companies to place the money?

Mr. **Rodriguez**. Yes, sir.

Senator **D'Amato**. And certain cash payments?

Mr. **Rodriguez**. And attorneys, trust accounts, and so forth.

Senator **D'Amato**. Wasn't there a particular bank that the General favored, the ABN Bank, that was used to then pay out moneys to Curacao and Paris? Were you aware of that?

Mr. **Rodriguez**. Yes, sir, ABN Bank was a favorite.

Senator **D'Amato**. What do you know about that bank, if anything, that you can testify as it relates to General Noriega?

Mr. **Rodriguez**. Sir, that bank is one of the largest banks in the world. It has offices in places you wouldn't believe. It's a very upstanding bank.

Senator **D'Amato**. But it was from that bank that—or do you have knowledge that General Noriega used that bank to then send moneys to Curacao and Paris?

Mr. **Rodriguez**. Yes, sir. Many of—a lot of the General's money for some reason went to France.

Senator D'AMATO. When you say a lot, could you make an estimate as to how much? Did you ever send as much as $1 or $2 or $3 million to Paris?

Mr. RODRIGUEZ. Yes, sir.

And I would say to you that there wasn't a month that money did not go to France.

Senator D'AMATO. Mr. Chairman, there was one other thing I'm wondering if Mr. Rodriguez would comment on. At one point in time when we were talking about the cartel and the intelligence information that they received from General Noriega, you said that in 1982, that the Medellin cartel knew all of the agents.

Now, were those all of the agents in Colombia or was it in Panama? And you used the word "toyed with them." Would you give us some kind of—what do you mean by that?

Mr. RODRIGUEZ. I was specifically talking about the agents in Medellin. What they did was——

Senator D'AMATO. There were some agents who attempted to infiltrate the organization?

Mr. RODRIGUEZ. They were attaches at the Embassy and all these people who were obviously in some sort of drug interdiction effort, that were supposedly working secretly.

Senator D'AMATO. Were they working in Panama and in Colombia?

Mr. RODRIGUEZ. I don't really know their personal schedules.

But what the cartel did was in 1982—it might have been 1982—yes. They had some invitations printed that appeared to come out of a government agency, the Colombian Government agency, for a Christmas party at the Intercontinental Hotel. These invitations were sent to all of these agents I'm talking about.

And most of them showed up to the party, and once they were there they were notified that they were there at the invitation of the cartel.

Senator D'AMATO. So, they knew them all——

Mr. RODRIGUEZ. They were a bit arrogant in the way they handled it. I am a bit arrogant myself, so I can't——

Senator D'AMATO. I think that people wanted—and I think it's important and illustrative to indicate just how compromised the agency, our Drug Enforcement Agency, had become.

Mr. RODRIGUEZ. That's why when you have reports that Drug Enforcement agents are all going to get killed, I don't really take it with too much seriousness, because I know that the cartel knows who's who and could do horrible things if they wanted to.

I think that they have learned how to use violence graphically in the most opportune moment. I think the assassination of the Colombian attorney general a week or so ago is very indicative that they know how to use terror now.

Senator D'AMATO. So, they're not going to kill an agent?

Mr. RODRIGUEZ. They won't kill people at random. They'll make statements with their violence.

Senator D'AMATO. Thank you, Mr. Chairman.

Senator KERRY. Mr. Rodriguez, we're going to try to move fairly rapidly through a couple of areas and then conclude. I just want to ask you quickly, you see this chart over to your right?

Mr. RODRIGUEZ. Yes.

Senator **Kerry**. It's set forth with the title "The organization of the criminal empire."

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Can you read those names from where you are there?

Mr. **Rodriguez**. Yes, I can.

Senator **Kerry**. Do you recognize the names that you see laid out on that chart?

Mr. **Rodriguez**. Yes, I do.

Senator **Kerry**. Who do you recognize them to be?

Mr. **Rodriguez**. I recognize some competitors of mine, some employees of the General.

Senator **Kerry**. Employees of General Noriega?

Mr. **Rodriguez**. Yes, sir. And of course you have a list of——

Senator **Kerry**. Who are the competitors?

Mr. **Rodriguez**. Well, specifically Pretelt and Cesar Rodriguez.

Senator **Kerry**. Cesar Rodriguez?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And do you recognize those names as being members of General Noriega's criminal effort?

Mr. **Rodriguez**. Yes, sir. I think in the case of Mr. Pretelt and Mr. Cesar Rodriguez they represent somewhat free enterprise laundering, except with General Noriega's best interests at heart, whereas I never conducted my activities according to General Noriega's best interests.

Senator **Kerry**. You did it according to your best interests and the cartel's?

Mr. **Rodriguez**. The cartel, and I think I added a measure of responsibility to the way it was handled.

Senator **Kerry**. Was there a recklessness about the way they did it?

Mr. **Rodriguez**. Well, I think that if you just check the record, General Noriega was unable to solidify his power base in 1983. Since I handled the dollars that were so important, I always made sure that he was just powerful enough to serve us, but never let him get powerful enough to control us.

Senator **Kerry**. You believe that your arrest in 1983 came about as a result of a betrayal; is that accurate?

Mr. **Rodriguez**. I believe General Noriega very adroitly used the American law enforcement agencies to surgically extract me from the operation, while leaving the operation in tact for him and his cronies to continue working.

Senator **Kerry**. Describe how it came about, your arrest? What happened?

Mr. **Rodriguez**. Well, a telex was sent out of Panama to the South Florida Vice Presidential Task Force identifying me as a major money launderer. I think it's important to note that prior to that telex they didn't know who I was. And the Vice President's task force immediately, for a Government agency within 2 or 3 months, arrested me, without doing very much investigative work or any of the other things I would expect from that type of agency.

By doing that, taking me out of the picture without hurting the system that was working, I think we were used by General Noriega.

Senator Kerry. Do you know how they specifically learned of your being at the airport with $5.4 million in cash?

Mr. Rodriguez. There was no question, I could be stopped at any time in the airport. I flew a minimum of twice a week. I filed CMIR's. I filed my flight plan 48 hours ahead of time because I had to have a Cuba overfly.

I mean, what I was doing was not exactly——

Senator Kerry. A secret up until then?

Mr. Rodriguez. Yes.

Senator Kerry. So, all this time, you had basically done it with impunity. And suddenly the noose tightened?

Mr. Rodriguez. Yes, sir.

Senator Kerry. Was Noriega aware of your opposition to the M-19 cartel agreement?

Mr. Rodriguez. Oh, absolutely.

Senator Kerry. Is that a significant part of why you're here today?

Mr. Rodriguez. Yes, that more than any desire for revenge, because, as is history now, he's been indicted without my assistance. You know, I don't really need to do any more to hurt him. He's already been very hurt.

But remember that you have a system that handles multibillions of dollars in shipments yearly, that is now in irresponsible hands and being infiltrated by Communist cadres. It's only a matter of time before the Communist cadres take over the cartel.

And I am here——

Senator Kerry. You say that after having described a brutal war in which the cartel wiped out the Communist cadre, or much of it.

Mr. Rodriguez. Absolutely. I think more than anything, they got their attention. I think that that opened up the eyes of these people to the kind of power and the kind of effort that can be put together by an organization of this type.

Senator Kerry. So, what you're saying is, what I think you described, is that you see the ability of people now to understand the power that's there, and you see a resurgence of this?

Mr. Rodriguez. Let's put it like this. Fidel Castro's best effort with M-19 was pitiful compared to the cartel's best effort. It was proven on the battlefield. I think when you have a victory like that, especially someone like Castro or the Sandinistas, they are bound to reevaluate their position.

And it would be logical to take over the cartel, and I think that——

Senator Kerry. Or drug trafficking?

Mr. Rodriguez. Or drug trafficking. The cartel, because it's an ongoing concern, there's a tremendous amount of goodwill in that organization, just like in any other organization.

Senator Kerry. Did you witness growth into other countries of the narcotics trafficking in a similar way, that began to subvert institutions and change the politics?

Mr. Rodriguez. There's a very good word being used lately. It's called the "narcokleptocracy." And that is not a figment of somebody's imagination. Every Central and South American country now without exception has a group of people that are dependent on the cartel.

The cartel does not just control drugs. It controls industries—not factories, industries. There is not a Central or South American country that the cartel cannot influence economically and politically. And until you realize that, you cannot deal with——

Senator KERRY. Was there a relationship you became aware of between the Colombian drug cartel or drug traffickers and the Mexicans?

Mr. RODRIGUEZ. Well, the Mexicans get a lot of their product, cocaine, from the cartel. They also have an asset, which is a 2,000-mile border with the United States, which they sell access to that. So, Mexicans and Colombians are a natural.

Senator KERRY. That's why it's an essential part of the drug route to the United States, is obviously the border? Is that accurate?

Mr. RODRIGUEZ. Sure.

Senator KERRY. Was there a dispute between the Mexican drug traffickers and the Colombians?

Mr. RODRIGUEZ. Yes.

Senator KERRY. What was that dispute about?

Mr. RODRIGUEZ. Money.

Senator KERRY. And control?

Mr. RODRIGUEZ. Yes, to a certain extent. You know, there was no single simple dispute. These things grow because they have an ongoing concern, and you have jealousies.

Senator KERRY. How was that dispute resolved?

Mr. RODRIGUEZ. Well, the Mexicans were put on a cash basis by the cartel.

Senator KERRY. What does that mean?

Mr. RODRIGUEZ. It means when they flew down to pick up their merchandise, they had to fly down money to pay for it. And——

Senator KERRY. Do the Colombians operate in Mexico now?

Mr. RODRIGUEZ. No. The Mexicans operate in Mexico, and the Colombians cooperate with the Mexicans where they are allowed to. But the border belongs to the Mexicans.

Senator KERRY. Now, we're going to follow up, Mr. Rodriguez. We're going to follow up at a subsequent time, probably in executive session, on further identification of banks and individuals.

But I'd like you just to describe for me with a little more particularly than "the New York banking process." Who would you meet with in the bank, for instance?

Mr. RODRIGUEZ. OK. Every bank that I dealt with has a representative.

Senator KERRY. Everybody who has a portfolio has a representative, so there's nothing unusual about that; is there?

Mr. RODRIGUEZ. Except that our representatives aren't found on the listing in the bank directory.

Senator KERRY. You had a special linkage?

Mr. RODRIGUEZ. A special man to deal. For instance, I had a special man to deal with.

Senator KERRY. How would you contact him? Did you have a name, someone you could telephone?

Mr. RODRIGUEZ. I contacted their Panamanian branch. I would say: "Look, I've got to be in New York on such a day; I have this

CD and this loan, and I want to discuss them, and I'll be there at 9 o'clock."

Senator **Kerry**. Would you walk into the bank or somewhere else?

Mr. **Rodriguez**. They would have the limousine meet me and bring me in.

Senator **Kerry**. A limousine meet you at the airport?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And bring you in?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Would any representative meet you at the airport?

Mr. **Rodriguez**. I would normally have somebody waiting for me when I got there.

Senator **Kerry**. Your person?

Mr. **Rodriguez**. No, their person.

Senator **Kerry**. And they would escort you to the bank?

Mr. **Rodriguez**. Yes, and I would take care of business.

Senator **Kerry**. Did you know who you were looking for when you first arrived at the bank?

Mr. **Rodriguez**. Well, after a while I knew the fellows that were in charge of it.

Senator **Kerry**. Do you know them by name to this date?

Mr. **Rodriguez**. No, sir.

Senator **Kerry**. You don't?

Mr. **Rodriguez**. No, because there was a very real reason why we went through this type of charade. We were breaking laws in a very big manner and you always have to have plausible deniability. And the New York banks are no fools. So, everyone——

Senator **Kerry**. Well, that may be questionable.

Mr. **Rodriguez**. I found them to be——

Senator **Kerry**. They engaged in the business and they undertook it, and some banks have already paid fines, I think grossly insufficient, but have paid fines for laundering.

Mr. **Rodriguez**. But that gives you a tremendous insight into how sophisticated they are. I'm doing 43 years in jail; they pay fines when they get caught.

Senator **Kerry**. That's exactly the point I'm trying to make.

Mr. **Rodriguez**. So, I guess I'm not as smart as they are.

Senator **Kerry**. I think the banks—and I don't know; I'm not on the Banking Committee. But if there's any one ingredient in this process that would assist us, it is to make it harder to move large amounts of cash; isn't that accurate?

Mr. **Rodriguez**. Yes, logistics is the biggest problem in money laundering.

Senator **Kerry**. And banks have resisted those processes that would somehow create greater accountability for the movement of cash.

Mr. **Rodriguez**. Precisely.

Senator **Kerry**. And there is——

Senator **D'Amato**. We have passed——

Senator **Kerry**. We have the $10,000 thing.

Senator **D'Amato** [continuing]. A very strict money laundering bill that for the first time brings in some accounting and holds the banks themselves accountable. And let me tell you that we face tremendous, tremendous opposition, and we only explored very superficially some of the violations.

I would like to get into this later on with Mr. Rodriguez in future sessions.

Senator KERRY. But the real issue is the international regulation, the international regulation.

Mr. RODRIGUEZ. Precisely. As long as they have an out with foreign branches——

Senator KERRY. The foreign branches; correct? And the out is the foreign branch?

Mr. RODRIGUEZ. The foreign branch.

Senator D'AMATO. There was incredible resistance to legislation which would hold them accountable. Up until this time they could operate with impunity, because I guess they would get a slap on the wrist and a fine of $10,000 per transaction. Even if they were caught, it was basically——

Mr. RODRIGUEZ. What you are suggesting would affect their bottom line.

Senator D'AMATO. Total forfeiture of all money you're dealing with, that's now the law. But I think we would probably benefit, Mr. Rodriguez, by having the opportunity to look at some of the other areas that are still wide open and probably being utilized by some of the banks.

Mr. RODRIGUEZ. I am at your service.

Senator D'AMATO. You go to the man who beat the system to find out how to shore up the system. It's one of the things I suggested with Senator Kerry. I may be criticized for saying this, but it seems to me that you've been in prison a number of years now already, but it's rather incredible that there has not been an effort made by our law enforcement people, recognizing your knowledge of the system, et cetera, to attempt to utilize you, not in terms of exposing people because the safe houses have been changed, the corporations have been changed, many of the people have been changed, but as it relates to dealing with this whole system, and at least to get your knowledge and your expertise in an attempt to utilize them.

And notwithstanding that you may have been interviewed on several occasions, it's just that kind of lack of commitment that just gets this Senator, and I think some others like Senator Kerry and Senator DeConcini, so riled up when we hear about this war on drugs.

It is absolutely—if it weren't so serious, it would be laughable. I don't have words sufficient to express to you the contempt I have for those who should know better, who really carry this on and try to beguile the Congress and the people, et cetera, about a meaningful effort and a meaningful war.

Here you have the person who ran the money operation for the cartel for years, who hasn't had—has not been utilized in terms of the information. Were it not for Senator Kerry and his committee, et cetera, who has brought this to the fore, you would still be languishing there and we would be without your information.

I don't mean to put a medal on you. My gosh, we should be able to draw on your experience.

Mr. RODRIGUEZ. I would like to be fair at all times, because I find that life works out for me better that way. In all fairness, the things that we're discussing today, after having some corroboration and so forth, in 1983 sounded pretty foolish to these people, because it put them in the position that they had to admit that they were totally out of control and totally foolish.

Senator KERRY. The fact is that you told them in 1983. They didn't want to listen; isn't that accurate?

Mr. RODRIGUEZ. Precisely.

Senator KERRY. Because they made their own judgments.

Mr. RODRIGUEZ. Well, like I said, they would have to—it's a pretty mind-boggling thing to hear, and it's even more mind-boggling that it was getting by them, and it's still getting by them.

Senator KERRY. Well, it's sure coming out now. And I think there's a lot more of it to come out.

But let me come to a couple of points. We need to try to move toward the end here, and I want Senator D'Amato to be able to make some comments if he wants to at the end, also.

Let me just ask you quickly. Have members of Brigade 2506 been involved in drug trafficking?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You know that personally?

Mr. RODRIGUEZ. Yes, I do, sir.

Senator KERRY. Has Cuba infiltrated the drug community to a certain degree?

Mr. RODRIGUEZ. Absolutely.

Senator KERRY. And you personally—I understand that Cuban intelligence knows about the drug trafficking business specifically?

Mr. RODRIGUEZ. Sir, Cuban intelligence made an attempt to recruit me.

Senator KERRY. When was that?

Mr. RODRIGUEZ. 1980, 1981.

Senator KERRY. Did you ever report that to anybody?

Mr. RODRIGUEZ. No.

Senator KERRY. Describe for us, if you will again, fairly directly and succinctly, the threat that you believe this poses to your country, our country? Is it a threat?

Mr. RODRIGUEZ. I want to say, it is my country. I feel American, even though America is a hard place to love because she often treats you badly.

Senator KERRY. When you say that, are you speaking about the Cuban experience?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You're talking about the sense of betrayal that Cubans have about Castro?

Mr. RODRIGUEZ. I'm talking about the Bay of Pigs, the lack of air cover, some of the other things that have gone on.

Senator KERRY. But you have never had an argument with this country in other respects?

Mr. RODRIGUEZ. No, sir. You know, I studied Marxism, socialism, capitalism, and fascism. I've made—I chose capitalism out of a ratiocination, not out of an accident.

If the cartel and the cartel's assets get taken over by Communist elements, here's what you're going to have. You're going to have a self-funded revolutionary attempt inside the United States. Drugs go to the lowest echelons of the society, to the highest.

The lowest echelons make great recruits. If you control their drug flow, you have potential recruits. They'll listen to Marxism——

Senator KERRY. For any kind of activity; isn't that accurate?

Mr. RODRIGUEZ. Any kind of activity.

So, you're going to have a potential Communist cell in every ghetto, in every city in the United States.

Senator KERRY. Can I ask you something further on that. Is it not accurate that other terrorists or ideologically fanatical groups are drawing on the profits of the narcotics trade to fund whatever their operations?

Mr. RODRIGUEZ. I can tell you unequivocally that the heroin trade out of Colombia is funding Palestinians. It is mind-boggling.

Senator KERRY. Are you familiar with the trade in the Bekaa Valley?

Mr. RODRIGUEZ. No, sir, I'm not.

Senator KERRY. Coming back to that question I asked, you said fundamentally absolutely. Does that mean terrorist groups or ideologically finatical groups of right or left? Is that accurate?

Mr. RODRIGUEZ. Yes, sir, both right and left; but I'm concerned with the leftist because they're the most organized, they're the most ideologically fanatics you can find.

Once they get the ghettoes organized, you have the highest echelons of society that are subject to blackmail. You may not be able to take the son of a government bureaucrat and pay him to give you information on this father's activities, but you can blackmail him into doing that. You can control his drug flow.

The potential here is enormous.

Senator KERRY. Let me ask you now with respect to that sort of ideologic phenomenon. You have been a supporter living in the Cuban community, passionately anti-Communist and anti-Castro.

You have also been a supporter, though not necessarily passionate about it, but a supporter of the Contras. Is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Are you aware of whether or not narcotics proceeds at some time may or may not have supported Contra efforts?

Mr. RODRIGUEZ. Yes, sir. Narcotics proceeds were used to shore up the Contra effort.

Senator KERRY. Did you personally play a role in some of the transfer of that money?

Mr. RODRIGUEZ. Yes, I did.

Senator KERRY. Are you familiar with the name of a company called Frigerificos de Puntarennas?

Mr. RODRIGUEZ. Yes, sir, I am.

Senator KERRY. What is that company?

Mr. RODRIGUEZ. It's a shrimp processing warehouse; but, more importantly, it was one of the fronts that we used.

Senator KERRY. Did you set it up? What role did you play in it?

Mr. RODRIGUEZ. I was the key person setting up the interlocking chain of companies around Frigerificos de Puntarennas.

Senator KERRY. Are you familiar with a company called Ocean Hunter?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. What was Ocean Hunter?

Mr. RODRIGUEZ. Ocean Hunter was the agent, an agent for Frigerificos. It was supposed to import shrimp into the United States.

Senator KERRY. Was that part of the interlocking network that you talked about?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Did you launder money?

Mr. RODRIGUEZ. I have laundered money for that network; yes, sir.

Senator KERRY. Were payments or arrangements made by which the Contras could receive money through Frigerificos?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You arranged that?

Mr. RODRIGUEZ. I, through my intermediaries, made it possible.

Senator KERRY. Did that particular company receive $230,000 in humanitarian assistance funds from the State Department?

Mr. RODRIGUEZ. Yes, sir, it did.

Senator KERRY. Was any of the money you provided Frigerificos traceable to drugs or to drug-related transactions?

Mr. RODRIGUEZ. You're talking about the money that we provided?

Senator KERRY. That is right.

Mr. RODRIGUEZ. No, sir.

Senator KERRY. Why was that?

Mr. RODRIGUEZ. Because we were experts at what we do.

Senator KERRY. You created enough cutouts to do that; is that correct?

Mr. RODRIGUEZ. Yes.

Senator KERRY. Do you want to explain how the money moved?

Mr. RODRIGUEZ. Well, I had a liaison with U.S. intelligence—or let's not call it U.S. intelligence. Let's call it whoever was running the resupply.

Senator KERRY. We are going to leave the names out for now. We are going to come back to this in a few weeks, but I want to just talk about how the money laundering moved.

Mr. RODRIGUEZ. I had a—as I said, I had the contact man who supplied me with the needs for cash, the locations and the agents that they were going to use to receive the money.

When contact was made with me, I would deliver on it, any country, any place.

Senator D'AMATO. Mr. Chairman, if I might just ask at this point.

Milian, were the people who received this money aware of the fact that this was drug money, the proceeds came from drug money?

Mr. RODRIGUEZ. Let's put it like this, Senator D'Amato. The Contra peasant in the field did not, but the men who made the contact with me did.

At that time I was under indictment. I mean I was red hot, and it was surprising to me to be contacted when I was in such a potentially——

Senator D'AMATO. Who did you make contact with?

Senator KERRY. We really want to hold on that piece, and we promised in this process we would. But we do have some documentation. We have documents from the companies, et cetera.

If I could just ask you, do you recognize the document that is in front of you?

Mr. RODRIGUEZ. This is a—because I handled so much money—yes, I do recognize it. Do you want me to explain to you what it is?

Senator KERRY. What do you recognize that document to be?

Mr. RODRIGUEZ. This is not a double-entry system.

Senator KERRY. Is this part of your accounting documents?

Mr. RODRIGUEZ. This is a part of my personal notation as to what I did with the moneys that I received, whom I received them for and what I did with them.

Senator KERRY. This was part of your official records which law enforcement authorities seized. Is that accurate?

Mr. RODRIGUEZ. Yes, it is.

Senator KERRY. This document which was seized which you recognized was placed into evidence by the Federal Government in the trial against you, for which you are now serving time. Is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Now, I direct your attention to the top notation on the headings of this document.

What is the first heading in that top column?

Mr. RODRIGUEZ. That first heading is an abbreviation for Miami.

Senator KERRY. The numbers and figures that are listed underneath it reflect what?

Mr. RODRIGUEZ. They reflect moneys that I took out of the consolidating process for my personal use.

Senator KERRY. The next heading says what?

Mr. RODRIGUEZ. The next heading says CIA.

Senator KERRY. What does that CIA refer to?

Mr. RODRIGUEZ. It refers to one shipment of money I received.

Senator KERRY. Was the CIA the CIA we know? Is that the Central Intelligence Agency?

Mr. RODRIGUEZ. Yes.

Senator KERRY. What does your accounting show with respect to the CIA?

Mr. RODRIGUEZ. It shows that I received the shipment of $3 million and change sometime in the middle of the month.

Senator KERRY. Do you know what that was for?

Mr. RODRIGUEZ. Well, I always got instructions with it, and I carried out the instructions.

Senator KERRY. Did that have something to do with supply efforts to the Contras? You do not know?

Mr. RODRIGUEZ. I don't remember. This document——

Senator KERRY. Oh, no, not at that point. That question is inappropriate at that point. That is my mistake.

That did reflect a distribution of funds by you with respect to CIA. Is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. This will be made part of the record as exhibit No. 14.

[The information referred to appears in the appendix.]

Senator **Kerry**. Also, I might remark this was Government Exhibit No. 12 in your criminal trial put into evidence by the Federal prosecutor.

Mr. **Rodriguez**. We were surprised when we put that in.

Senator **Kerry**. Were you ever asked about that?

Mr. **Rodriguez**. No, sir.

Senator **Kerry**. Were you ever asked what the notation CIA meant?

Mr. **Rodriguez**. No.

Senator **Kerry**. Nobody has ever asked you?

Mr. **Rodriguez**. No, sir. We tried to have this document not put into evidence, and the Government as adamant about putting it in, so they put it in.

Senator **Kerry**. We are now at the hour of noon, and there is a great deal more to go into.

Let me just confirm. Well, no, I am satisfied on that, and I will stop.

Senator D'Amato, before we close this session of the hearings, do you have any comments that you would like to make at this time?

Senator **D'Amato**. Mr. Chairman, once again we have a witness who uniquely can give us an in-depth magnitude of the operation of the drug cartel, the manners in which it has been able to corrupt public officials in literally all of the countries, although he has testified with particularity as it relates to Panama and has given us a glimpse of how we can even defeat when it turns its forces on to the M-19 that we and the Colombian Government have been engaging in for a number of years. We understand the power of it.

The most shocking is how it has been able and how we have, our own intelligence community, our own defense establishment and its intelligence operations, betrayed our own agents by coming together with these dictators and opportunists and being so superficial in our judgments that we would entrust the lives of our American citizens, our drug enforcement agency and put them at risk by dealing with scum like Noriega. It is outrageous.

What a sad commentary. Lord knows how many others in how many other countries have been placed at peril. Milian says they toyed with them. How many have succumbed?

What about Enrique Camarena in Mexico? What about our agents who have been sacrificed along the way? It is a sad commentary.

It is something, Mr. Chairman, that I would hope in the fullness of time your efforts and those of this committee and others begin to sensitize those in charge, those in this administration and future administrations to the kinds of commitment to which we are entitled, and that we cannot continue to do business as usual with these petty tyrants, and that sometimes we take these superficial attitudes, well, who else do we have there, and that the threat of this insidious drug epidemic and the power that it wields is real, and that the danger has penetrated the United States and our homes and our communities, and, yes, it has even corrupted and coopted out our own institutions at the highest level where we have lost the capacity and judgment to make the proper kinds of distinctions in who we deal with and how we deal with them.

So, Mr. Chairman, I say that I think this is just the beginning of what has to be a commitment from at least the congressional institution and hope that we can get our colleagues to join us and not in a political sense, Democratic, Republican, liberal, conservative.

We have heard testimony from witness after witness how all of the ideological forces have been financed, whether it be the Contras, whether it be the M-19's, whether it be the El Salvadorean guerrillas, how they have drawn upon these dollars for the financing of their ideological revolutions.

Mr. Chairman, I commend you for your tireless efforts in this area, and I look forward to working with you.

I am not going to put a gold star on you, Milian, but I would probably like to ask do you ever regret what you did when you look at this and how you used that brain of yours that God gave you, a good brain obviously?

Mr. RODRIGUEZ. Let me say this, Senator. There is some mitigation to my life. It hasn't come out here. I didn't come here to—I came here to bury Caesar, not to praise him.

I think later on you'll find out that I'm not entirely as bad as I seem.

Senator KERRY. Are you sorry for the path you chose? Do you feel a sense of waste for the years that you are serving now? Do you feel like you have lost something that could have been different or, basically, hey, this is the way it is?

Mr. RODRIGUEZ. Senator, I belong to a group of people who are willing to do immoral, reprehensible acts for ends that are what we feel in the best interest of our ideology.

We use these justifiable means to break the law, and when we're caught we pay. That's the way it is.

Senator KERRY. Well, I appreciate the insight that you have given us and the fact that you have been willing to cooperate.

I just want to give you one chance before we walk out of here. Is there any piece of testimony as you have thought about it, is there anything here—because you are serving a long sentence now, but, I assure you, if you lie to this committee it will be longer, and I think you understand that.

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. You said that to me this morning before you even came out here, that you understood that.

Is everything you have told us today the truth, the whole truth and nothing but the truth?

Mr. RODRIGUEZ. Absolutely.

Senator KERRY. I have a number of different comments.

One, I notice that yesterday issues are already arising about who is credible and who is not, and has there been an inconsistency here or there.

This record will be available for reading very quickly, and I would warrant that when you read it and go through it, the consistency of what we have heard is extraordinary from person after person who has declared, against their own interest, at great risks personally to their lives, at risk of further prosecution, at risk of us discovering through other sources documentation that somehow they did not tell the truth and, therefore, serve even longer in prison.

I think when you measure all those things against what has been said, there is reason to find enormous credibility in it.

It is interesting to note that while Vice President Bush denied that he made the call, and I do accept his word, it also was learned last night on McNeil-Lehrer that a former NSC staffer admitted that, indeed, there was prior notice given to Castro. It said it was through a different channel. They did not need Noriega.

Who knows? Was it a staff call? Was it someone else? Was there someone saying this is representing the Vice President, we have been detailed to notify? Blandon gets a call in the night and says the Vice President's office called or the Vice President.

The fact is, he says he called Fidel Castro in the dead of night, and the fact is that Castro was noticed.

It seems to me that as you go through the details of this and analyze this measured against the past, there is further reason to believe what we have heard.

I recognize if you go back to the Iran-Contra hearings, there were witnesses who came forward with totally different stories, totally inconsistent with each other day after day. That has not appeared here.

Witness after witness after witness has corroborated the money laundering, corroborated the network, corroborated the names.

Senator D'AMATO. With specificity, Mr. Chairman.

Senator KERRY. With specificity; with great specificity.

I think most people share this with me. I certainly do not quickly forget the fact that there were long and indignant and repeated denials by the White House and others about selling arms to Iran.

There were long and repeated denials by the CIA and the State Department about those and many other things, including illegal support of the Contras.

During the period of the Boland amendment, there were repeated denials and yet factual aberrations.

Bill Webster is someone in whom I have enormous confidence. I think he is one of the finest public servants we have in Government today, and I think he is moving effectively and diligently to try to make up for some of the things that did happen a number of years ago. The fact is, he has fired some of the people who were involved in reaching beyond their permitted scope of duty during this period that we are talking about right here.

It seems to me that in light of that as well as past assassination manuals printed by the CIA, as well as the Managua minings and so forth, we have cause to wait before we make judgments.

We are going to see in the months to come a lot more investigative effort, and that will certainly go on.

I would like to just say quickly at this time that we have seen significant corroboration of a number of different things in these last days. The witnesses have certainly detailed General Noriega's involvement with the Colombian cartel to smuggle narcotics, to launder money, provide them protection. Some have even testified to his involvement in murder.

Noriega's sale of weapons to the Salvadoran rebels has been confirmed by at least three witnesses.

His relationship with U.S. officials has been confirmed.

His connections between drug traffickers. The connections between drug traffickers, incidentally, and Contra supply efforts of one kind or another, whether private or otherwise, have been mentioned in the instance of Gonzalez, and in the instance of Mike Palmer, mentioned by Mr. Rodriguez, by Mr. Rich, by Mr. Blandon, and Mr. Carlton.

We have seen narcotics diverted to ranches and airstrips across various parts of Central America, and we have learned of connections to Cuba, of connections to M–19. We have learned, obviously, of an enormous network of narcotics trafficking that has come to threaten U.S. foreign policy interests and that has come to threaten institutions of this country itself.

There are clearly many questions left to be asked. There are clearly whole areas of inquiry that have been opened by this that are even beyond the scope of this committee, certainly beyond its current staffing ability.

These are not just foreign policy issues but law enforcement issues, international banking issues, national security issues and, obviously, intelligence community issues.

I share with Senator D'Amato and I thank him for his having joined me here for these 3½ days. He has long been interested in and concerned about this issue. He has come at it from different committee positions. He does not serve on the Foreign Relations Committee nor on my subcommittee, but as an interested Member and as the ranking minority member of the narcotics task force he has been important, I think, in helping to draw this out and to underscore its importance to all of us.

I also want to thank Senator Pell, because Senator Pell, as chairman of this committee, is currently on an INF trip to Europe. He has been very patient and very supportive of the subcommittee and its efforts and of our staff. Without his support, we would not have been able to continue up to this point.

So, at this point we will adjourn until March, when we will have a subsequent inquiry and followup on some of the things raised here today as well as new material.

Before we close, I have here a report on Panama prepared by a six-member bipartisan Senate staff delegation as the result of a trip in mid-November 1987. The trip was authorized by the Senate leadership to gather information on the situation in Panama and report it back to the Senate with recommendations on what progress, if any, had been made in restoring democracy.

The delegation as comprised of foreign policy aides to Senators Kennedy, Durenberger, D'Amato, Graham, and the professional staff of the majority and the minority. We will make that part of this record.

[The information referred to appears in the appendix.]

Senator KERRY. Finally, Senator Helms would have been here this week but for a personal family emergency. I would like to thank him, as he has been supportive of this overall effort, not just about Panama where he has obviously had concerns, but across the board. It was Senator Helms who made the comment at our initial inquiry, let us do this and let the chips fall where they may.

So, I am appreciative to his staff, also, for their support in the effort.

We stand adjourned until March.

[Whereupon, at 12:12 p.m., the hearing was adjourned, subject to call of the Chair.]

APPENDIX

PREPARED STATEMENT OF SENATOR D'AMATO

MR. CHAIRMAN, I WANT TO THANK YOU FOR INVITING ME TO TESTIFY BEFORE THIS DISTINGUISHED COMMITTEE. THE ISSUE OF PANAMA IS ONE THAT YOU, SENATOR HELMS, AND I HAVE BEEN WORKING ON TOGETHER FOR A LONG TIME.

LAST APRIL, OUR RESOLUTION TO CUT OFF AID TO PANAMA FOR ITS FAILURE TO COMBAT MONEY LAUNDERING AND DRUG TRAFFICKING RECEIVED 58 VOTES. BUT THAT VOTE WAS 2 DAYS TOO LATE TO HAVE ANY EFFECT. THE ADMINISTRATION CERTIFIED PANAMA WAS "COOPERATING FULLY" ON MARCH 1, 1987. UNDER THE LAW, CONGRESS COULD OVERTURN THAT DECISION ONLY IF IT ACTED BY APRIL 1. OUR OPPONENTS DELAYED THE VOTE ON OUR RESOLUTION UNTIL APRIL 3 -- 2 DAYS AFTER THE DEADLINE.

IT HAS BEEN 10 MONTHS SINCE THAT FIRST EFFORT, MR. CHAIRMAN. WE SUCCEEDED IN CUTTING OFF AID IN DECEMBER. GENERAL NORIEGA WAS INDICTED ON THURSDAY. AND TODAY WE ARE CLOSER TO TRUE DEMOCRATIC CHANGE IN PANAMA THAN I WOULD HAVE EVER EXPECTED.

NORIEGA AND DRUGS

IT IS IMPOSSIBLE TO OVERSTATE THE IMPORTANCE OF THE CASE AGAINST GENERAL NORIEGA. IT RAISES A VITAL

QUESTION ABOUT OUR FOREIGN POLICY AND OUR DRUG POLICY: WHY DO WE TOLERATE THUGS LIKE NORIEGA?

WHY, WHEN OUR PEOPLE ARE LITERALLY UNDER SIEGE FROM THE DRUG DEALERS, COULD WE NOT GET A MEANINGFUL VOTE AGAINST NORIEGA A YEAR AGO? MR. CHAIRMAN, 70 PERCENT OF CONVICTED CRIMINALS USE COCAINE, HEROIN, OR OTHER DRUGS 24 TO 48 HOURS PRIOR TO ARREST. 5 MILLION AMERICANS USED COCAINE IN THE PAST MONTH. MILLIONS MORE ARE ADDICTED TO HEROIN, ANGEL DUST, AND OTHER DRUGS.

DRUG TRAFFICKING IS A MAJOR NATIONAL SECURITY THREAT, AND YET WE CANNOT GET THE ADMINISTRATION OR OUR COLLEAGUES IN THE CONGRESS TO MAKE IT THE TOP PRIORITY IT SHOULD BE.

PANAMA IS ONLY ONE COUNTRY WHERE THE GOVERNMENT IS CORRUPTED BY DRUG TRAFFICKING, AND WHERE OUR RESPONSE IS COMPLETELY INADEQUATE. MEXICO IS ANOTHER.

MEXICO AND DRUG TRAFFICKING

THOSE RESPONSIBLE FOR THE FEBRUARY 1985 MURDER OF DEA AGENT ENRIQUE CAMARENA HAVE NOT BEEN CONVICTED. NEITHER HAVE THE MEXICAN POLICE RESPONSIBLE FOR THE AUGUST 1986 TORTURE OF DEA AGENT VICTOR CORTEZ.

IN 1986, MEXICO SEIZED ONLY 200 POUNDS OF HEROIN, BUT IT PRODUCED 2 TO 4 TONS OF HEROIN.

THE STATE DEPARTMENT'S INTERNATIONAL NARCOTICS CONTROL STRATEGY REPORT TELLS US:

AT PAGE 154: WHILE EXISTING LAWS ARE ADEQUATE, MEXICAN ENFORCEMENT, CONVICTION, AND SENTENCING IS LESS THAN ADEQUATE AND, IN MANY CASES, NON-EXISTENT.

AND AT PAGE 356: LITTLE HAS BEEN DONE TO HALT MONEY LAUNDERING UP TO NOW.

THAT IS THE MEXICAN RECORD. YET LAST APRIL, ONLY 38 SENATORS VOTED TO DECERTIFY MEXICO FOR ITS COMPLICITY IN THE DRUG TRADE. WHY?

WHETHER WE LOOK TO PANAMA OR MEXICO, OR VIRTUALLY ANY OTHER MAJOR DRUG-PRODUCING COUNTRY, THE STATE DEPARTMENT AND MANY OF OUR COLLEAGUES REPEAT THE SAME TIRED FORMULA. THEY SAY WE HAVE OTHER OVER-RIDING INTERESTS. NORIEGA, FOR EXAMPLE, WAS SAID TO BE USEFUL TO OUR MILITARY AND INTELLIGENCE COMMUNITY.

BUT THE REAL REASON IS THAT THE SO-CALLED WAR ON DRUGS IS NOT HIGH ENOUGH ON OUR LIST OF PRIORITIES. THE SO-CALLED WAR IS A SHAM. WE HAVE NOT BEEN FULLY ENGAGED AGAINST DRUG TRAFFICKING AND MONEY LAUNDERING IN PANAMA, AND WE ARE NOT FULLY ENGAGED AGAINST THE COLOMBIAN DRUG CARTELS, OR THE HEROIN KINGPINS OF ASIA AND MEXICO.

THERE IS NOT ONE MAJOR DRUG TRAFFICKING COUNTRY

THAT GIVES OUR DRUG ENFORCEMENT ADMINISTRATION FULL COOPERATION IN THE INVESTIGATION AND CONVICTION OF MAJOR DRUG TRAFFICKERS.

NOT ONE.

OTHER ILLEGAL ACTIVITY

DRUG RUNNING IS NOT THE ONLY ILLICIT ACTIVITY THAT NORIEGA IS DEEPLY INVOLVED IN. THE GOVERNMENT OF PANAMA HAS BEEN TRANSFORMED INTO A CRIMINAL ENTERPRISE, AND GENERAL NORIEGA IS CHAIRMAN OF THE BOARD. HE HAS USED HIS POSITION IN THE MILITARY TO CREATE AND EXPAND ILLICIT BUSINESS ACTIVITIES THAT HAVE MADE HIM ONE OF THE WEALTHIEST MEN IN LATIN AMERICA. SOME ESTIMATE HIS PERSONAL WEALTH AT ONE-HALF A BILLION DOLLARS.

FROM DRUG RUNNING, ARMS TRAFFICKING, MONEY LAUNDERING, AND THE SELLING OF VISAS AND PASSPORTS, TO OFFERING SERVICES TO THE SOVIET UNION, GENERAL NORIEGA HAS PUT THE GOVERNMENT OF PANAMA UP FOR SALE.

MR. CHAIRMAN, I HAVE BEEN TOLD TORRID TALES OF NORIEGA'S NEFARIOUS ACTIVITIES AND FRANKLY, HE IS A PARTICULARLY ADEPT BUSINESSMAN. THE USE OF PANAMA FOR ILLICIT ACTIVITY IS UNPARALLELED. BILLIONS OF DOLLARS ARE LAUNDERED THROUGH PANAMA'S BANKS. IMMIGRATION, FOR EXAMPLE, IS A PARTICULARLY LUCRATIVE GOVERNMENT AGENCY.

HIS SALE OF PASSPORTS AND VISAS HAS PROVIDED NORIEGA AND HIS CRONIES A STABLE SOURCE OF INCOME --TENS OF MILLIONS OF DOLLARS.

NORIEGA'S DIRECT CONTROL ALSO REACHES INTO CUSTOMS, AIRPORT SECURITY, THE TREASURY, AND THE OFFICES OF THE ATTORNEY GENERAL AND THE COMPTROLLER.

CHANGING TIMES

GENERAL NORIEGA HAS LEFT A VILE TRAIL LITTERED WITH CORRUPTION, MALFEASANCE, AND DUPLICITY. THESE HEARINGS, ALTHOUGH FOUR DAYS LONG, WILL ONLY EXPOSE A SMALL FRACTION OF NORIEGA'S DUBIOUS ACHIEVEMENTS.

UNFORTUNATELY, GENERAL NORIEGA'S ACTIONS AS AN INTELLIGENCE OFFICER, AND LATER AS COMMANDER-IN-CHIEF, WILL ALWAYS STAIN THE RICH HISTORY OUR TWO NATIONS SHARE. BUT I AM OPTIMISTIC THAT PANAMA HAS TURNED THE CORNER ON THIS DARK CHAPTER AND WILL SOON ENJOY THE BENEFITS OF THE TRULY DEMOCRATIC GOVERNMENT THAT HAS SO LONG ELUDED IT.

I COMMEND YOUR COMMITMENT TO THIS CAUSE, MR. CHAIRMAN. IN MY SEVEN YEARS IN THIS INSTITUTION, I HAVE NEVER WITNESSED AN ISSUE THAT SO MANY OF OUR COLLEAGUES FROM ALL POLITICAL PERSUASIONS WERE ABLE TO AGREE ON. IT IS MY SINCERE HOPE THAT THESE HEARINGS WILL HELP FURTHER EXPOSE GENERAL NORIEGA'S ILLICIT ACTIONS AND

DEMONSTRATE HOW TRULY UNFIT HE IS TO RULE PANAMA. THAT CAN ONLY PROPEL THE CAUSE OF PANAMANIAN DEMOCRACY.

THANK YOU, MR. CHAIRMAN.

JOINT LETTER FROM SENATOR D'AMATO AND SENATOR DeCONCINI

February 8, 1988

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

We are writing to you regarding your February 13 meeting with Mexican President de la Madrid in Mazatlan, Mexico. We believe this meeting offers you an excellent opportunity to reaffirm with the Mexican government the importance the United States places on waging a war on illegal drugs. We believe there is no single crisis facing our country more important than the growing drug epidemic. If we have any chance of mounting an effective battle against this problem, we must have the cooperation of those countries, like Mexico, that have become production and transshipment centers.

Mexican officials have said in the past that the drug problem is a U.S. problem caused by our flourishing demand. We do not dispute the demand problem. However, it is important to point out to the people of Mexico that they only need to look as far as Colombia, Peru, or Jamaica to see that the demand problem could also strike their own country. Furthermore, the Mexicans should view the violence and unrest in Colombia as proof that the strength and influence of drug traffickers are growing.

We request that during your meeting with President de la Madrid you urge action by the Mexican government on three critical issues -- The extradition to the United States of the five Mexicans indicted by a U.S. grand jury last month for the murder of Drug Enforcement agent Enrique Camarena; sweeping improvements in the Mexican eradication program, and the establishment of a joint U.S./Mexican air program responsible for hot pursuit. We believe these issues will be closely examined when the Senate debates the certification of Mexico in the coming months.

On January 6, 1988, in Los Angeles, a grand jury indicted nine Mexican nationals in connection with the 1985 kidnapping, torture and murder of Camarena and his Mexican pilot. Of the nine individuals indicted, three are in U.S. custody, two are listed as at large, and four are in custody in Mexico. Charges were brought in the U.S. because under Federal statutes 18 U.S.C. 1114, 18 U.S.C. 1952B, and 18 U.S.C. 3238, the U.S. has jurisdiction in the prosecution of those involved in the murder of an American official anywhere in the world.

We believe President de la Madrid would be hard pressed not to honor your request for the extradition of the four individuals currently in custody in Mexico. These individuals include: drug kingpins Rafael Caro

Quintero, and Ernesto Fonseca-Carrillo; former police official Sergio Espino-Verdin, and Albino Bazan-Padilla. Serious questions should also be raised with President de la Madrid about the extradition of Armando Pavon Reyes. Reyes, a former Comandante with the Mexican Federal Judicial Police, was at one time in charge of investigating the Camarena murder. Reyes has been indicted for his role in assisting Caro-Quintero to flee Mexico in return for approximately $270,000. He is not in custody in Mexico and recently held a press conference in Mexico City.

If justice is to be served in the Camarena murder, we believe it will only occur in the United States. It is no secret that Caro Quintero and Fonseca enjoy a country club environment at the prison in Mexico City where they are currently being held. In fact, last year U.S. drug agents in Mexico discovered a tunnel outside the prison leading into their cellblock. The State Department recently reported that a second tunnel into the prison was also found last year and that both tunnels were paid for by Quintero.

As you are well aware, international narcotics traffickers have greatly expanded their business along the southwest border in recent years. Under your leadership, Operation Alliance was launched in 1986 to strengthen the Federal law enforcement commitment along that border by increasing personnel and assets. However, in the case of air interdiction, the U.S. Customs Service is forbidden by the Mexican government from chasing suspected drug smuggler aircraft back into Mexico. The ability of Customs to follow aircraft in "hot pursuit" would take away the smugglers' ability to run and hide. We ask that you press President de la Madrid to allow the U.S. Customs Service to conduct hot pursuit flights and to demonstrate respect for Mexican sovereignty, authorize Mexican law enforcement officers to fly on board to handle the arrests.

Mexico is now the number one single-country source of marijuana and heroin coming into the United States. A key ingredient to reducing the production of illicit narcotics is a successful eradication program. According to a recently released General Accounting Office (GAO) report, the Mexican eradication program is plagued by numerous problems. Some of these problems include: inefficient management and maintenance; a shortage of pilots and mechanics; a lack of agreement on program goals and standards between the U.S. and Mexican governments, and a lack of effective verification.

Eradication claims are based on visual observation by pilots and navigators or on calculations based on the amount of herbicides used during the spray missions. The accuracy of both methods is highly suspect, to say the least. The verification problem is further compounded by the Mexican army's claim of manual crop eradication. U.S officials have not been able to verify these claims because they are not allowed access to the army's eradication staging areas.

We request that you raise with President de la Madrid the need for immediate changes in the eradication program. The changes should include:

--supervisory and management control for the contractor;
--ground verification by U.S. personnel of all eradication claims, including those made by the Mexican army;
--development of aerial surveys of opium poppy and marijuana cultivation; and
--setting annual eradication goals consistent with reasonable standards for aircraft use and availability.

Your commitment, and the tireless work of the First Lady, has helped to raise the consciousness of all Americans to the dangers of drug abuse. However, if we have any hope of waging a successful war on drugs in the U.S. and throughout the world, we must be willing to elevate the drug crisis to national priority status. President de la Madrid was recently successful in ratifying a Mutual Legal Assistance Treaty between Mexico and the U.S. He has the ability to further demonstrate his government's commitment by addressing this issue in Mazatlan and moving expeditiously on the matters we have outlined.

With best wishes for a productive and successful trip, we remain,

Sincerely,

Alfonse D'Amato
Alfonse M. D'Amato, USS

Dennis DeConcini
Dennis DeConcini, USS

LETTER FROM SENATOR KERRY

February 5, 1988

Arthur B. Culvahouse, Jr.
Counsel to the President
The White House
Washington, D. C. 20500

Dear Mr. Culvahouse:

Thank you for your prompt response to my letter of January 25, 1988 requesting declassification of certain documents.

As you know, my letter referred to allegations concerning drug trafficking into the United States and individuals related to drug trafficking which have arisen in connection with the Committee's ongoing investigation. In the course of that investigation, the Committee has determined that the North notebooks provided to the Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition may be able to shed light on those allegations and help determine whether or not they are true.

The Committee staff also believes that the documents requested from the North notebooks are relevant to determining whether allegations that Lieutenant Colonel North met with Panamanian General Noreiga are true or false. Establishing exactly what happened at these meetings, if they in fact took place as has been alleged in press accounts, is essential to the Committee's work in investigating narcotics trafficking into the U.S.

Accordingly, I attached a request for the full declassification of 50 pages of documents from the North notebooks covering 20 dates, a request which is clearly limited in scope to matters directly within the jurisdiction of the Committee, and which I had hoped would have been released in a fashion sufficiently timely to permit their use at a hearing scheduled to take place February 9 and 10, 1988. Hundreds of pages of those diaries have already been declassified at the request of the Select Committee, and there are references to drug trafficking and drug traffickers in the public diary pages.

While I appreciate the large number of requests for declassification you have received and the related problems of criminal investigations, the Subcommittee which I chair is considering issues of considerable urgency.

The President has made stopping the flow of narcotics a national security priority. We agree with his assessment that the issue is a national security question and are working to improve our ability to combat drugs.

None of the materials we have requested involve internal deliberations of the executive branch. They may involve materials relating to alleged contacts between a high level government official and a foreign military officer since indicted for running a major criminal conspiracy and are therefore an appropriate and necessary subject for our review.

Pursuant to your directive, I have been in contact with the Office of Independent Counsel Walsh. During our initial contact and throughout our dealings with his office, I took precautions to guarantee that our inquiry, done in accordance with your request, would in no way taint the Independent Counsel's investigation.

This morning, I received a call from a Mr. Guy Struve to notify me that after appropriate review, Mr. Walsh's office takes no position one way or the other regarding the Committee's request. They do not oppose the declassification from the standpoint of their investigation and in their view the decision to declassify the materials we request is yours.

Again, while I understand that you have considerable demand for the declassification of documents, I respectfully call to your attention that none of the requests involve a currently active Congressional investigation but rather the requests are for the release of information from prior, concluded hearings. Our requests involve timely material and it is inappropriate to place ours behind other requests.

Therefore, with this letter I reiterate my request for the expeditious declassification of the materials we have requested.

Thank you again for your prompt response. I am looking forward to working with you to resolve this problem expeditiously.

Sincerely,

John Kerry

THOUGHTS ON A PANAMANIAN POLITICAL SOLUTION

INTRODUCTION:

The strategic thoughts I outlined to you in our last meeting are still valid. The only question now is exactly how to orchestrate the implementation of a "plan". Obviously, its implementation takes sophisticated coordination, strategic flexibility, good timing, and some luck. I believe, after observing the current political realities in Panama during my trip last week, that we can hope for all three.

As you well know, this is not just a question of removing one man from his current position. We need real, meaningful reform in the structure. Yet, we do not need a "revolution" in which the PDF as an institution is destroyed and the people of Panama have to struggle at this critical juncture with the uncertainties and dangers of a "revolutionary" government, as was necessary for President Aquino. We need "change" within a defined governmental structure.

There are four steps to our ultimate goal of an honestly elected democratic government by 1989.

#1 "Forcing Change in the Government"
#2 "Reforms in the PDF and new leadership"
#3 "The transitional Government"
#4 "Credible 1989 Elections"

To design a plan that does not encompass these four steps is to invite greater problems. The argument "Noriega is better than what might succeed him'" has some credibilty. The problem with the argument is that, if Noriega tries to hold on to power for too much longer, he will have to become exactly what we now fear most. If he leaves soon, within the context of a Panamanian political solution, he can render a real service to his country. He can shape the transition of the leadership of the PDF. He can leave the PDF to credible, positive officers, who will work with a civilian government to bring constructive political reform to Panama.

To make a plan work we must have a consensus amongst the major players in this issue. [Note chart on next page] These players must mutually understand the goal and have a collective pact to adhere to the steps required to get there. To have a breakdown in this pact before a newly elected Government takes power in 1989 would leave the people of Panama stranded and vulnerable.

Thus to avoid an even deeper crisis we must consider the following steps:

Step #1 Reach a consensus on the goal of a duly elected Government by 1989 and the specific steps needed to get us there. Through secret negotiations get leaders of key groups to sign off on specifics of the plan, as outlined below.

Step #2 Communicate the plan to Noriega and at the same time begin well orchestrated plan to pressure him into a timely acceptance. [He will try to buy time at first, but with sustained pressure, he will agree.]

Step #3 Noriega implement the reforms required by plan before he retires.

Step #4 Transition Government prepares nation for honest elections in 1989, as scheduled. Delvalle would remain President, but the Cabinet would be changed and many other reforms made.

Step #5 Hold elections

Step #6 New Government takes power in orderly, constitutional manner.

Step#1: Consensus on Objectives:

As we have already discussed in some detail, there must be a credible plan of action around which we can rally the nation and its leaders. I believe the following is such a plan.

1. CHANGE MILITARY LEADERSHIP AND REFORM PDF:

The PDF must strengthen itself through internal self-reform. It is the only viable option for timely change.

The major objectives of that reform are:

A. RETIRE GENERAL NORIEGA:

General Noriega must set the time of his retirement. That date should be close to the fulfillment of the changes outlined below in "b" through "d". In return for a timely fulfillment of these requirements, he would be granted immunity from criminal prosecution in Panama and the U.S.. The date for his retirement should be absolutely no later than the first week of April, 1988.

B. REMOVAL THE "GANG OF 6"

Noriega is not the only or even the main problem inside the PDF. If Noriega were to fall and one of the "Gang" of 6 take power, the situation would become even worse. As a first step in a political solution, Noriega must send out of the country Cordoba, Del Cid, Madrinan,Trujillo, Benitez, Cleto Hernandez, and Los Purcell. Their access to power must be blocked. They must be isolated.

C. RETIREMENT OF MEMBERS OF THE GENERAL STAFF WITH OVER 25 YEARS SERVICE. REPLACE WITH YOUNGER OFFICERS.

The law must be enforced. These people should retire. Their retirement would greatly help the reform of the PDF. Many of these people would be happy to retire, if they believed that in retirement they would not have to wrestle with prosecution for things they might or might not have done while in office.

D. CHANGE LAW 20:

The statutes governing the PDF must also be altered. Noriega must work with the Government to get these changes implemented.

One: Set term of service for Commander or General at 5 years.

Two: Make absolutely mandatory retirement after 25 years service.

Three: Outline process for selection of Commander or General. President selects one of 5 names submitted from the General Staff. The President must then submit his choice to the Legislature for approval.

Four: Detach governmental services such as immigration, customs, prisons, and civil criminal investigation from the PDF's authority.

Five: Terminate the National Security Investigation Clause.

E. THE PDF MAKE A COMMITMENT TO BECOME A PROFESSIONAL, APOLITICAL FORCE IN PANAMA.

2. CHANGE CABINET, BUT KEEP DELVALLE:

The President and Vice-President should remain in office until their terms expire, but the Cabinet must be replaced. The new members should reflect the political realities of having to deal with a Unade coalition in the Legislature, but should also surface new, credible faces who can held build national support for the Government's actions.

The offices of Comptroller and Attorney General must be filled by honest, apolitical people. [A political Comptroller would use Government funds in 1989 for partisan political use and of course the A.G. always should be as non-partisan as possible. In the case of the A.G. the appointment would not be made until after Noriega resigned from office. This delay would give Noriega confidence that the terms of his retirement would be honored.]

3 REFORM ELECTION SYSTEM:

A. ANNOUNCE THAT ELECTIONS WILL BE HELD AS SCHEDULED IN 1989.

B. REFORMS IN ELECTION TRIBUNAL:

One: Change Election Tribunal. Select three new members.

Two: Give funds needed for modernizing lists and election system

THREE: Find Technical support to help this organization reform itself and meet the challenges of the 1989 Elections.

C. CHANGES IN ELECTION LAW:

One: Re-districting

Two: Establish proper methodology for selecting winners in multi-candidate districts.

Three: Government give partial subsidies to parties in 1989 Elections.

Four: Pass laws giving all parties access to electronic media in 1989 elections.

4. MAKE KEY CHANGES IN JUDICIAL SYSTEM AND OTHER LEGAL ISSUES:

A. PRESIDENT GRANT NORIEGA CRIMINAL IMMUNITY. SAME IMMUNITY WOULD ALSO BE GIVEN TO OTHER KEY FIGURES WITHIN THE PDF.

B. PRESIDENT AND A.G. WORK WITH PROPER U.S. AUTHORITIES TO GET IMMUNITY FROM CRIMINAL U.S. PROSECUTION.

C. PRESIDENT MAKE MAJOR PERSONNEL CHANGES IN THE SUPREME AND LOWER COURTS.

5. FREE THE PRESS AND END ERSA:

The press's full freedoms should be restored and ERSA should be dismantled. [Ending ERSA would be a matter of good politics and prudent fiscal restraint by the Government.]

6. AGREE ON TWO YEAR ECONOMIC PLAN AND OBTAIN U.S. AND INTERNATIONAL FINANCIAL COMMUNITIES SUPPORT FOR IT AND THEIR OFFER TO HELP.

One of the major pressures that might force Noriega to accept the above reforms is the fact the Government is drifting into a worse and worse financial crisis. There is little need to define it to you, nor to discuss the political consequences of it, even after Noriega goes.

A Transition Government under Delvalle is going to need major help both from the U.S., International Financial Institutions, the Unade Coalition, the Panamanian business community, and the opposition parties in order to wrestle with the economic problems confronting it in the next two years.

As part of this plan, one of the first steps must be to form a small group to begin preparing a credible economic plan to be implemented after Noriega agrees to the terms of retirement. That plan should address both the fiscal problem for the next two years and the steps needed to invigorate the economy through a partnership of the private and public sectors. Areas to focus one:

- Development of Canal Area
- Development of Center Port
- Development of Tourism
- Review of Banking laws.
- New investment in the Canal
- Housing
- Agrarian investment
- Projects to stimulate small business development.

The advantage of the Panamanian economy is that it is small and manageable. A few successes will have an immense impact.

Not to address this issue would be risky. If we achieve all the other reforms outlines above and then have to close down the large parts of the Government for lack of funds, political stability in Panama would obviously disappear. Panama needs help.

STEP#2: SELLING THE PLAN TO NORIEGA:

Once agreement is reached on the major points above, then the hard part begins. It must be sold to Noriega. If this explanation to Noriega is timed with a series of events which remind him of his tentative hold on Panama, we will be successful. Sustained pressure must be put on Noriega. The pressure must come from every direction. I recommend the following steps and timetable. We must move fast because I fear that events could still get out of anyone's control.

1. Amb. David contact President Delvalle and let him know the U.S. wants a "Panamanian" political solution. Let him know that the plan I am working on is credible and is well known to U.S..[Before 11/4]

2. Nestor Sanchez be immediately recruited to visit Noriega and tell him that the time has come for a

political solution. He must be tough, as only such a good personal friend can be. "You must make a deal. It is the best route for you and your family! The U.S. wants to help you." Noriega trusts Nestor. He will see him immediately.[Before 11/4]

3. U.S. talk with military leaders in El Salvador [Especially Vargas and Blandon], Colombia, Guatemala, and Honduras. Ask them to send a message after 11/5 to make a deal with U.S..

4. Werner request meeting on 11/6 or 7 with Noriega plus: Justines, Purcell, and Castillo. Werner should give same message. Important to give to all 4 so Noriega has no freedom to freely interpret message to others. Message should be tough. Say you must make deal with civilian U.S.G. Say there is no support in CIA or Pentagon for Noriega. U.S.G has one policy. U.S.G , however, wants to help Noriega in transition. Feel that loyalty to him.

5. I will work with Noriega and others on proposal [A Panamanian Political Solution] to give to USG and other parties in Panama. [11/ 8-13]

6. Pressure be mounted from all sides on Noriega.

   a. Street demonstrations
   b. U.S. press stories on drugs, etc.
   c. Tough financial messages to Cattin, Alexander, and P. Rodriguez. "Even pipeline could be in trouble if there is not major reform."
   d. Human Rights delegation from Congress. See not only opposition but legislators of Unade. [Before 11/14]
   e. Senate delegation from Dole and Bryd.
   f. Grassroots campaign for the people of Panama be conducted. Use distribution of a video which outlines peaceful actions to take against the Government.

g. Noriega's friends and family be contacted and told why he should accept deal.[In addition to Sanchez are Fito Duque, Carlos Duque, Siero, Harari (through Peres, Rabin or Sharon) and of course his wife.

h. And last but not least, organize campaign to build pressure from within PDF. Young recruits and officers should be approached as well as all family members who can be identified. "Time to rescue your institution!"

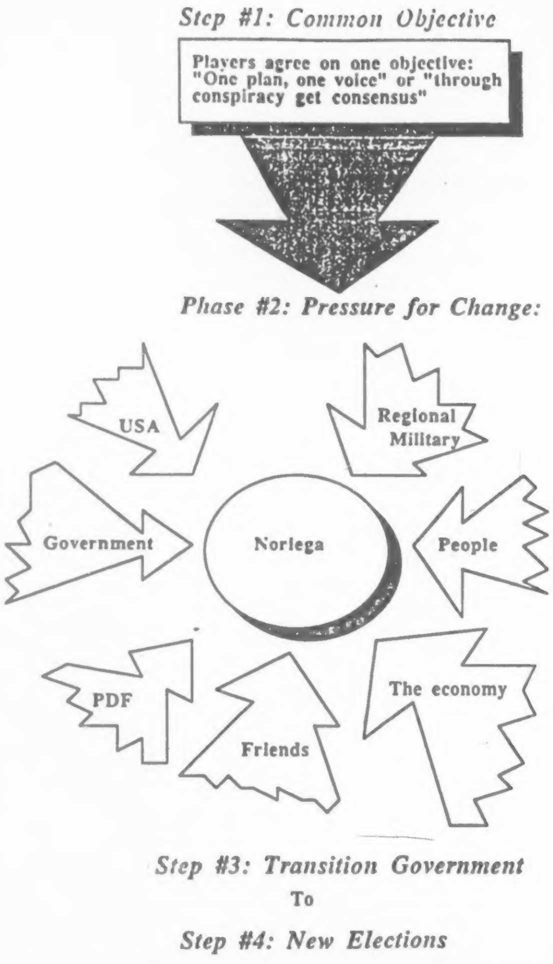
The problem today is that no one has a clear idea of what a meaningful, sensible resolution might be. Noriega has the least idea. He now is resigned to fight because he sees no way out. He has in fact become somewhat schizophrenic in his own analysis. On the one hand he concludes the U.S. cannot be trusted, that they want to put him in jail and then on the other hand he feels the CIA and Pentagon in reality - secretly - support him. "They have said little during my clamp down."

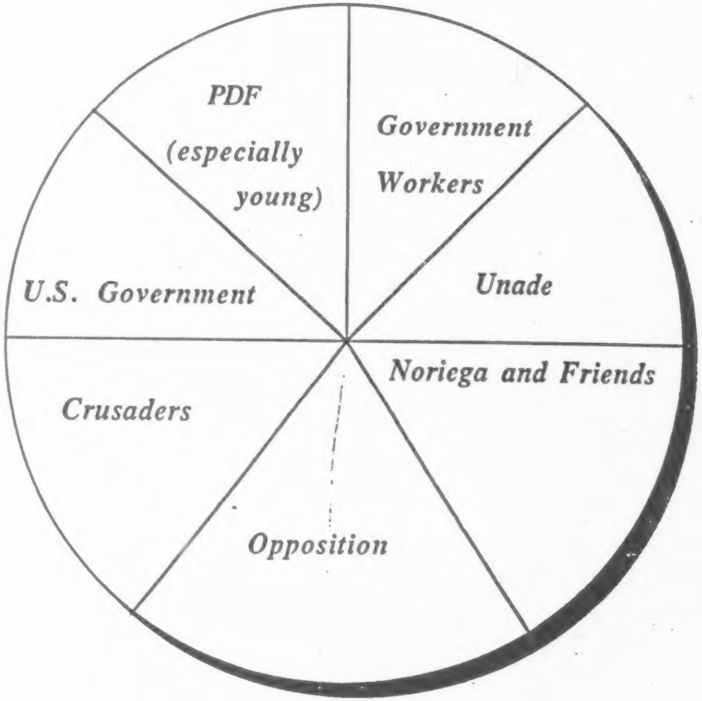
To make clear to Noriega that there is a solution which takes into account his personal future will open the road to some deal. It might take more time than we hope, but it will come.

CONCLUSION:

There is little need at this point to go into much depth about the last steps. We can discuss them in the next week or so. What is now vital is to get an agreement on these first steps.

To move this aggressively requires much confidence, but what is there to lose? What is the option? Even if Noriega does not accept the plan today, it's existence will moderate his behavior tomorrow. And, when he has time to think about the plan, he will accept it. I am sure of that.


Step #1: Common Objective
Players agree on one objective: "One plan, one voice" or "through conspiracy get consensus"
Phase #2: Pressure for Change:
USA
Regional Military
Government
Noriega
People
PDF
Friends
The economy
Step #3: Transition Government
To
Step #4: New Elections


PDF (especially young)
Government Workers
Unade
U.S. Government
Noriega and Friends
Crusaders
Opposition

The Parties to Consensus

REPORT ON PANAMA

On October 28, 1987, the Majority Leader of the Senate, Senator Robert C. Byrd, joined with the Minority Leader of the Senate, Senator Bob Dole, to authorize funding for a bipartisan staff delegation of six Senate aides to travel to Panama. See Exhibit A. The purpose of the delegation's trip was to gather information on the situation in Panama and to report back to the Senate on what progress, if any, has been made in restoring democracy and the rule of law to Panama.

The delegation was composed of three aides who work for Democratic Senators and three who work for Republican Senators. The delegation included the following individuals: Gregory Craig (Senator Edward M. Kennedy, Democrat from Massachusetts); Al Cumming (Senator Bob Graham, Democrat from Florida); Deborah De Moss (Senate Committee on Foreign Relations -- Minority Staff, Senator Jesse Helms, Ranking Minority Member, Republican from North Carolina); Randy Scheunemann (Senator Dave Durenberger, Republican from Minnesota); Barry Sklar (Senate Committee on Foreign Relations -- Majority Staff, Senator Claiborne Pell, Chairman, Democrat from Rhode Island); and Shawn Smeallie (Senator Alfonse M. D'Amato, Republican from New York). The delegation arrived in Panama on Thursday, November 12, 1987 and returned to Washington, D.C. on Monday, November 16, 1987. For the delegation's schedule of meetings in Panama, and for a list of the Panamanians who participated in those meetings, see Exhibits B and C.

SUMMARY AND RECOMMENDATIONS

The delegation had two purposes in making its trip to Panama: first, to conduct a fact-finding mission and report to the Senate whether any progress has been made in meeting the conditions set forth in Amendment 723 to the Department of Defense Authorization Act for FY 1988 (S. 1174); and second, based on the delegation's findings, to make a recommendation as to the advisability of enacting S. 1614 and S. 1650.

Amendment 723, passed by the Senate (93-0) on September 24, 1987, states that, unless the Government of Panama takes certain specified steps towards a restoration of democracy, civilian rule and constitutional freedoms in Panama, the Senate should terminate U.S. military and economic assistance to the Government of Panama and reassess whether Panama's sugar quota should be terminated and reallocated. See Exhibit D.

S. 1614 and S. 1650 would, if enacted, terminate U.S. military and economic assistance to the Government of Panama and eliminate the sugar quota. Under the terms of this proposed legislation, U.S. assistance to Panama would be restored -- as would the sugar quota -- if the President certified that the Government of Panama had met certain conditions relating to the restoration of democracy, civilian rule and constitutional freedoms in Panama. See Exhibits E and F.

Based on its meetings and conversations with U.S. Embassy personnel and U.S. military officers in

Panama, and based on its discussions with people from all elements of Panamanian society inside and outside of the Government of Panama, the delegation concludes that no progress has been made in the effort to restore democratic/civilian rule to Panama or to restore freedom of the press and other constitutional guarantees. In fact, the delegation finds that none of the conditions set forth in Amendment 723 have been satisfied.

Accordingly, the delegation recommends that the Congress should enact S. 1614, as amended and adopted (19-0) by the Senate Foreign Relations Committee on November 19, 1987. That legislation, if passed, will terminate U.S. military and economic assistance to the Government of Panama and will suspend Panama's sugar quotafor calendar year 1988 unless the President certifies that freedom of the press and other constitutional guarantees have been restored to the people of Panama. See Exhibit G.

The delegation also recommends that the United States government continue to pursue a policy that distances the United States from the Government of Panama, thereby reflecting American disapproval of the Noriega regime, and thereby showing visible American support for democracy, human rights and the rule of law in Panama. No American official -- civilian or military -- should do or say anything that could be interpreted as providing political approval or moral support to the Noriega regime. In line with the policy of withholding material assistance and political approval from the Government of Panama, the delegation applauds the decision of the U.S.

military to postpone indefinitely joint maneuvers ("Kindle Liberty") between the United States and Panama. The delegation believes, similarly, that all U.S. intelligence activities inconsistent with these recommendations should be terminated.

On the positive side, the delegation recommends that the United States government should use its political and diplomatic influence -- in Panama and among the nations of the region -- to support efforts to achieve an immediate restoration of press freedoms and other constitutional guarantees. While recognizing that the crisis in Panama can only be resolved by the Panamanians themselves, the United States government should use its influence to support negotiations aimed at achieving a national reconciliation and a restoration of democracy along the following lines:

-- reform of the Panamanian Defense Forces and the departure of General Manuel Antonio Noriega on a mutually agreed upon date to be announced at the earliest possible time;

-- restoration of constitutional guarantees;

-- reform of the election laws and the Electoral Tribunal;

-- reform and strengthening of the judiciary and the establishment of an impartial inquiry to investigate allegations of criminal misconduct and corruption among some members of the Panama Defense Forces; and

-- the existence of a civilian government in Panama that can guarantee free and fair elections in 1989.

Finally, the delegation believes that the United States government should continue to insulate the Panama Canal from the crisis and to defend against any effort by any party to inject the Canal as an issue into the crisis. In accordance with U.S. law, the United States government should continue to abide by the letter and the spirit of the Panama Canal Treaties and should continue to reassure the people of Panama that the United States has every intention of complying with the terms of those Treaties. To that end, the United States should proceed with all plans and activities aimed at relocating the Southern Command, removing all other U.S. military bases from Panama, and transfering the Canal to Panama no later than December 31, 1999.

The basis for the delegation's findings and recommendations is set forth in the following report:

I. INTRODUCTION

A. Background

Located at the southern end of the Central American isthmus, the Republic of Panama became an independent nation after seceding from Colombia in 1903. The same year the Hay-Bunau-Villa Treaty was signed with the United States paving the way for construction of the Panama Canal. The 52 mile canal was completed in 1914. The canal represents an important economic and strategic interest for the United States and has been the central issue in U.S.-Panamanian relations for the past 85 years.

Panama's population is slightly more than 2 million, the majority of which lives in the urban terminals of the canal, Colon and Panama City. Roughly 70% of the population is mestizo (mixed Spanish and Indian blood) with significant Indian, black, white and Asian minorities. The Panamanian economy is based on the service sector -- the canal, trade, banking, and government -- and was, until recently, one of the most prosperous in Latin America with a per capita gross domestic product of $2,200 in 1985. Panama is the location of the U.S. Southern Command, with over 10,000 American military personnel and more than 30,000 dependents.

From 1903 to 1968, Panama had a relatively democratic, constitutional system of government, generally dominated by a commercial oligarchy. On October 11, 1968, General Omar Torrijos Herrera and the National Guard overthrew the elected President Arnulfo Arias Madrid. Though vestiges of the constitutional system existed in the Torrijos years, the General and his National Guard remained the major force in Panama until his death in 1981.

Torrijos was a charismatic, populist leader who instituted a series of labor and agrarian reform measures while in power. The major foreign policy achievement of Torrijos was the negotiation of the 1977 Panama Canal treaties. U.S. sovereignty over the Canal Zone had long been the focus of nationalist outrage among Panamanians, leading to anti-American protests and violence on numerous occasions. The 1977 treaties, returning the Canal to full

Panamanian control by the year 2000, strengthened Torrijos' popularity as a nationalist, and achieved the primary foreign policy objective of successive Panamanian leaders.

During the Treaty negotiation and ratification processes, Torrijos made commitments to United States leaders on the issue of democracy in Panama. As former President Jimmy Carter said in a recent statement:

"Ten years ago today, Panama's leader, Omar Torrijos, and I signed two Panama Canal Treaties at the Organization of American States in the presence of sixteen heads of state from throughout the hemisphere . . .

"On that day ten years ago, Omar Torrijos and I spoke about how our two nations could become lasting partners. *He told me that could only happen if Panama were to become a democracy, and he pledged his commitment to that goal.* I am sure that General Torrijos would be very disappointed by recent developments in Panama, and that he would hope, as I do, that the military would defend the nation by removing itself from politics and permitting the people to decide their own future by free elections." (Emphasis added.)

Panamanian political leaders involved in the ratification process tell a similar story of Torrijos' pledge to bring democracy back to Panama: "Democratization in Panama did not begin until Senator Byrd came down to Panama and said very plainly: 'You want a Treaty. You need a two-thirds vote in the Senate. To get that, you must make a commitment to democracy.'" Reportedly Torrijos made that commitment to a number of Senators, including then-Majority Leader Robert Byrd and then-Minority Leader Howard Baker.

After the treaties were signed, Torrijos took steps to live up to that commitment. He began to relax restrictions on political activity in 1977 and 1978 by repealing laws limiting freedom of assembly and the press. Political parties were permitted to regain their legal status. The 1972 Constitution designating Torrijos "Maximum Leader of the Panamanian Revolution" was amended in 1978 to pave the way for a transition to democracy and reduce the role of the military. The 1978 amendments strengthened the separation of powers between the executive, legislative, and judicial branches of government.

In 1978, the newly elected National Assembly chose Aristides Royo to serve as President. Under Torrijos and Royo, Panama began the slow process of democratization after more than a decade of military dictatorship. The death of General Torrijos in a 1981 plane crash ushered in a period of political instability that has put Panama's progress toward authentic democracy in question.

The National Guard had three commanders in rapid succession between 1981 and 1983. The prolonged power struggle within the National Guard was resolved when the former head of G-2 military intelligence, Manuel Antonio Noriega, assumed control of the military -- and the nation

-- by the end of 1983. Noriega redesignated the National Guard as the Panama Defense Forces (PDF) and pledged to remove the PDF from politics in preparation for its task of Canal defense by the year 2000.

In the civilian political realm, the PDF forced changes in the presidency four times between 1982 and 1984. President Royo was succeeded by his vice president Ricardo de la Espriella in 1982. As preparations for the long-awaited direct presidential elections began, de la Espriella was forced to resign in February, 1984 and was succeeded by vice president Jorge Illueca who served until October. The May elections were, by all accounts, very close. The pro-government UNADE coalition candidate, Nicolas Ardito Barletta, faced a major challenge from the Authentic Panamanian Party (PPA) and its candidate, Arnulfo Arias, three-time President of Panama and the "grand old man" of Panamanian politics. Several weeks after election day, Barletta was proclaimed the victor by 1713 votes out of the 600,000 votes cast.

Charges of election fraud -- made as soon as the polls closed -- received confirmation when Dr. Cesar Quintero, head of the Electoral Tribunal, refused to certify the election results and resigned because of fraud conducted by the PDF. According to Quintero: "The trouble was with the military men. They did everything. They decided who was going to be elected in the Chamber and who was not. I suggested a recount in certain districts, and they said 'No.'" Quintero also charged that 12 of 67 Legislative Assembly seats won by pro-government candidates were won by fraud, the result of a "long count" during which ballot results were changed. A team of international election observers and the Panamanian Bishops' Conference also concluded that the elections were fraudulent.

According to Quintero, the military was surprised by the closeness of the election: "The military men thought they could have an election and, by spending more money and distributing more propaganda and giving more parties, they could win. They expected Barletta to win by 50,000 votes, and at the last minute, they realized Arias was winning. It was fraud after the fact."

In attempting to govern Panama, Barletta's tenuous "mandate" was compounded by serious economic problems. After negotiations with the International Monetary Fund and the World Bank, Barletta proposed a series of austerity measures, including a freeze on public sector salaries and a 7% service tax. By mid-1985, Barletta's initiatives were opposed by many inside and outside the government.

In the midst of economic uncertainty, Panama was electrified by the murder of Dr. Hugo Spadafora, a prominent government critic. Spadafora's decapitated and tortured body was found stuffed into a United States mailbag along the Costa Rican border on September 15, 1985. Spadafora's brutal murder was a turning point for the democratic forces in Panama because, until his death, Panama had never experienced such violence.

Hugo Spadafora was an intriguing figure: a medical doctor, a Vice-Minister of Health under Torrijos, and a participant in the guerrilla war against Somoza and, more recently, against the Sandinistas. The Panama Defense Forces came under immediate suspicion due to Spadafora's outspoken criticism of the PDF and its commander. The suspicion was based on more than Spadafora's well-known antagonism with Noriega: according to eye-witnesses who last saw Spadafora alive, Spadafora was taken off a bus at the Costa Rican border by G-2 agents.

Barletta was forced to resign less than two weeks after the Spadafora murder, ostensibly because of opposition to his economic reforms. Contemporary news accounts, many Panamanians, and most observers cite the more likely reason for Barletta's departure as being his unwillingness to participate in the inevitable coverup of the PDF's role in killing Spadafora and his intention to name an independent commission to investigate the murder.

Whatever the reasons, Barletta resigned the presidency in September, 1985 and was succeeded by First Vice President Eric Arturo Delvalle, a member of the small Republican party and sugar fortune heir. Under Delvalle, Panama's stagnation -- in social and political terms -- continued. Long a haven for political exiles and free of the political violence that has plagued much of Latin America, Panama has evolved not toward democracy but to an increasingly rigid police state.

While allegations of corruption had long been made against the Torrijos regime, many charged that the corruption had become systemic. Panama -- by virtue of its bank secrecy laws -- had become a major transit point for laundering of narcotics profits. Numerous press accounts in 1986 echoed the charges made by Spadafora and other Panamanians -- that the 1984 elections were decided by the military, that Noriega and the PDF were directly involved in international narcotics trafficking, that Spadafora had been murdered by the PDF, and that Noriega was connected with activities ranging from supplying arms to communist guerrillas in Latin America to facilitating the transfer of sensitive U.S. technology to Cuba and Eastern Europe.

Two U.S. grand juries began investigating the narcotics and money laundering charges against Noriega in 1987, and then, some of the most serious allegations against Noriega received sudden confirmation -- from an unlikely but knowledgeable source.

B. The Crisis

On June 1, 1987, Colonel Roberto Diaz Herrera, Deputy Commander of the PDF and first cousin of former General Omar Torrijos, retired. Among Panamanian supporters of Torrijos, Diaz Herrera was known as "the keeper of the flame" and "the guardian of orthodox torrijismo." Among U.S. diplomatic personnel, Diaz Herrera was known, prior to his departure from the PDF in 1987, as sinister and unprincipled, as a frustrated opportunist, "probably a leftist," as the man who most frequently did Noriega's dirty work. As one U.S. diplomat said in January 1987, six months before the crisis: "If you think Noriega is bad, you don't know Diaz Herrera."

Five days after his retirement, claiming that he suffered from a guilty conscience and announcing that he had undergone a spiritual conversion, Diaz Herrera gave public interviews on radio and in the written press in which he accused Noriega and other PDF officials of being responsible for stealing the 1984 election and for killing Dr. Hugo Spadafora. For excerpts of Diaz Herrera's radio interview, see Exhibit H. He also provided explicit confirmation for widely circulated allegations of rampant corruption, drug trafficking, and money laundering by Noriega and other senior PDF officers.

Noriega supporters dismissed the Diaz Herrera allegations (a) as sour grapes, saying he was acting out of frustration and anger at Noriega because he (Diaz Herrera) had not been able to take his turn as Commander in Chief as provided for in a written agreement signed by the leaders of the General Staff in 1982 as they deposed Colonel Flores less than a year after Torrijos' death; (b) as the wild and reckless charges of an unstable personality and disturbed mind (Some of the allegations were preposterous -- the charge that Vice President George Bush was involved in the conspiracy to murder General Torrijos -- and questions about Diaz Herrera's mental stability were raised by reports that he was receiving advice from a "guru".); and (c) as a cold-blooded attempt to arouse the population and overthrow Noriega by force of arms. The people of Panama, on the other hand, did not dismiss these allegations so lightly. For a chronology of events since June 1987, see Exhibit I.

Diaz Herrera's charges set off a firestorm of protest in Panama. Panamanians viewed his statements as an insider's confirmation of what many had long believed and took to the streets -- by the thousands. As the streets filled with protesters, a coalition of business, labor, professional, and student groups formed the National Civic Crusade for Justice and Democracy and called for Noriega's ouster and other implicated officers. After a successful general strike on June 11, the government imposed a State of Emergency.

The non-violent protests of "the civilistas," as the Civic Crusaders are known, were met with harsh repression. Between June and September 1987, over 1500 persons were arrested and, according to credible reports, subjected to "cruel, inhuman and degrading treatment" while in jail; 500 suffered bullet or birdshot wounds, 60 with damage to the eyes; and three Panamanians were killed.

The Catholic Bishop's Conference of Panama gave this explanation for the crisis:

"Statements by retired Colonel Robert Diaz Herrera have served as a detonator. We say detonator, because the real profound and ultimate cause of what has happened is the discontent, the distrust and the disappointment due to the passivity and the reluctance of national authorities, institutions and organizations to face the evils which affect us."

In response to the worsening situation, on June 26 the United States Senate overwhelmingly passed a resolution (84-2) calling for a transition to genuine democracy and for the removal of implicated officials pending the results of an independent investigation into the charges. See Exhibit J.

The government lifted the State of Emergency on June 29 for the purpose, it seemed, of orchestrating its own demonstration -- against the U.S. Embassy to protest the June 26 Senate Resolution. Panamanian government employees, under the direction of Cabinet Ministers, threw rocks and red paint at the Embassy, producing over $100,000 in damage. Assistant Secretary of State Elliot Abrams gave a ringing speech in support of democracy in Panama on June 30 (see Exhibit K), and the following day (July 1), the Administration summarily suspended all U.S. aid to Panama.

As the protests continued, the Delvalle government began a campaign of harassment and intimidation against opposition leaders. On July 10, PDF troops resorted to violence to break up peaceful demonstrations. Using tear gas and birdshot, the security forces arrested over 300 individuals, including 12 American citizens.

On July 26, a student was killed by a policeman in El Valle while the government shut down the remaining opposition media. On July 27, the government arrested

Diaz Herrera and 45 others in a raid on his residence. In the aftermath of a highly effective two day opposition general strike, the government issued arrest warrants for six leaders of the Civic Crusade on August 6. On August 30, pro-government elements killed an opposition demonstrator in San Miguelito.

During September, five Civic Crusade leaders left the country to avoid arrest as protests continued. On September 13, a U.S. Embassy official was arrested and held incommunicado for more than eight hours in violation of his diplomatic immunity status. The official had observed men in civilian clothes fire into an anti-government demonstration, resulting in the killing of one man and the wounding of five others.

While continuing to use military force to prevent demonstrations, the Government of Panama intensified its harassment of Americans. Panama's Foreign Minister, Jorge Abadia, denounced the visit of 27 U.S. Air Force personnel to the American Embassy as a "stupid provocation" while government newspapers termed it an invasion. On October 7, nine off-duty American servicemen were arrested arbitrarily and falsely charged with participating in an anti-government protest. The United States Southern Command publicly protested the government's handling of the incident. Government intimidation extended to the recently retired head of the embassy's military assistance mission, Colonel Richard Stone, who was deported on October 16 after being accused of planning opposition protests.

The government escalated its repression of Panamanians opposed to military rule in October as well. To prevent a large mobilization by the National Civic Crusade, thousands of PDF troops were stationed in the streets of Panama City on October 22. The show of force successfully prevented the rally while hardening attitudes on both sides. Over the weekend of October 24-25, First Vice President Esquivel's public split with President Delvalle over the government's handling of the crisis reached a breaking point. Esquivel was locked out of his office, his allies were fired, and the Esquivel wing of the Liberal Party left the governing UNADE coalition.

On November 12,, 1987, Foreign Minister Jorge Abadia denounced "the moral and economic aggressions" by the United States against Panama and accused the United States of taking actions that "clearly constitute a violation of basic norms of international law." See Exhibit L.

II. KEY ISSUES

A. National Reconciliation

Panama is facing its most severe crisis in recent history. The nation is polarized with little agreement over the causes or potential solutions to the current turmoil. Both sides express a desire to avoid the civil strife and extremist violence of other nations in the region. The violence of El Salvador and Nicaragua has not yet occurred in Panama, but a continuation of the stalemate between the government and the opposition raises a specter of sustained disruption and instability. If the strife continues, there is a potential for violence and bloodshed unknown in Panamanian history and totally out of character with Panamanian social and political traditions.

The opposition movement in Panama is broad-based and completely united in its objective of ousting General Noriega from his position as Commander of the Panama Defense Forces. Noriega has become a symbol of all that is wrong with Panama, and his departure is widely believed to be the only effective antidote -- in much the same way that removal of Anastasio Somoza became the focus of opposition in Nicaragua in the 1970s. What makes Panama's opposition unique is that it is peaceful, democratic, and largely middle class. There is no armed insurgency of the Left or of the Right in Panama today.

While the opposition views the civilian government as a mere figurehead for rule by a corrupt military, pro-government forces see the opposition as the creation of American intervention and the creature of a handful of rich, power-hungry Panamanians. Delvalle's government has offered to negotiate with the opposition but without spelling out precisely what is negotiable. The opposition has rejected negotiations so long as Noriega remains in office. The opposition looks for signs of government credibility -- such as reopening closed media, reform of the electoral process, or allowing the return of political exiles without threat of arrest -- but Delvalle is either unwilling or unable to take such steps. Efforts at mediation by the Catholic Church have not been successful to date.

While overwhelming displays of military power -- such as occurred on the streets of Panama City on October 22 -- can prevent the large-scale protests of the past, there is little likelihood that the government can outlast the opposition without some kind of accommodation.

B. The Economy

The current crisis has had a severe impact on Panama's economy. Unique in the hemisphere, Panama's economy is heavily based on services -- trade, commerce, and banking. Two-thirds of Panama's GNP is generated by services, and three-fourths of Panama's export earnings are service-based. As one Panamanian put it: "Panama's economy is the most open in Latin America -- and also the most vulnerable."

The U.S. dollar is used as Panama's currency, and Panama's monetary options are consequently more limited than in a country with its own currency. Moreover, Panama's foreign debt of nearly $4 billion is among the world's highest in per capita terms.

Fear of continued economic decline is pervasive in Panama. Estimates indicate that up to 10% of bank deposits have been withdrawn from Panama since June. In the first half of 1987, Panama's growth rate was a stable 2-3%, since June, growth has stopped and most analysts expect zero or negative growth for the year. One leading Panamanian economist recently predicted that, if the present trend continued, Panama's GNP would fall by seven percent during the second half of 1987.

The government defaulted on official credit obligations in June and "rolled-over" its debt to commercial banks in August. The current agreement with creditors expires in March of 1988. In addition, the government is likely to face the politically explosive decision of cutting public sector employment or salaries early in 1988.

Strikes and protests have exacerbated the decline of an economy that faced serious problems before the eruption of discontent in June. The opposition has had success in boycotting activities that generate government revenue, such as gambling. International confidence in Panama has declined as many foreign investors defer decisions about the future pending the outcome of political events. U.S. economic and military assistance remain frozen. As long as the political crisis continues, the Panamanian economy will continue to its precipitous decline and the recession will worsen.

C. Human Rights

Unlike many nations in Latin America, Panama has been free of the grossest and most flagrant forms of human rights abuse: there have been no "disappearances;" physical torture has been rare -- although the threat of it has not; and extra-judicial executions have also been rare. In fact, the 1985 murder of Hugo Spadafora produced an intense reaction in Panama, in part because of the country's long history of respect for human rights, and in part because of the unprecedented brutality of the torture and decapitation. _/ Text of footnote: The Organization of American States' Inter-American Human Rights Commission will soon release the results of its investigation of the Spadafora murder. That report, the product of meticulous examination of all the relevant evidence, is now in the hands of the Government of Panama for its comments.

Although the Spadafora killing is unique in Panamanian history -- both in the sadism of the torture and in the brutality and cold-bloodedness of the killing -- the people of Panama have long been subjected to a variety of other human rights abuses. Restraints on press freedom, for example, have been the rule -- not the exception -- since the coup in 1968 when the government confiscated three independent newspapers. And from 1968 to 1980, there was a virtual news blackout in Panama. Nothing in recent Panamanian history can compare, however, with the serious and sustained violations of human rights that have occurred since June 1987.

Before June, human rights violations were, for the most part, carried out on a selective basis -- such as the continued harassment and repetitive fining of La Prensa. Since the outbreak of widespread civil discontent in June, however, the human rights situation has deteriorated to the extent that all Panamanians, not just political activists, have been affected. When compared with the generally tranquil tradition in Panama, the situation today is tragic and unprecedented.

In breaking up opposition demonstrations, the government has used excessive violence. Numerous incidents of point-blank shotgun shootings using birdshot have taken place even against women and children -- a practice which is rarely seen even among the world's most vicious violators of human rights. Deaths from shootings and tear-gassing have also occurred. The Panamanian riot police -- known as "Dobermen" -- are widely feared for their excessive use of force when taking arrestees into custody.

The government of Panama has developed and implemented a policy of short-term detention -- usually no longer than 3-5 days -- of political opponents. Among the thousands of arrests since June, only Colonel Diaz Herrera and his companions are known still to be in jail. Most detainees are kept in Modelo Prison in Panama City. The less fortunate ones are sent to the island penal colony of Coiba, off of Panama's Pacific coast. Coiba is a work farm, and reports of forced labor, primitive conditions, and physical abuse are widespread. Many detainees detail instances of psychological abuse -- including threats of homosexual rape. Access to detainees and prisoners in Modelo is difficult; in Coiba, it is impossible.

There is no freedom of the press in Panama today. The State of Emergency was rescinded on June 29 but, in practice, the restraints remain in place. The government views any expression of discontent as part of an effort to achieve its overthrow. While the delegation was in Panama City, excessive physical force was used to break up a women's march. Since the October 22 display of strength by the PDF, gatherings of more than a few people are effectively banned.

The opposition media has been closed since July 29, and owners have been prevented from examining their property. President Delvalle has proposed a new press law that even government supporters have criticized. The government seems to be following a policy of economic warfare against the independent media, using prolonged closure to bankrupt once-profitable businesses.

The human rights situation in Panama has stirred criticism from domestic and international sources. The violence used against political opponents and the policy of detention without observing legal requirements has alienated the government from many Panamanians. And so long as the rights of due process and free expression are denied, the gulf between government and governed will grow.

III. U.S. POLICY AND THE SENATE

A. The Administration

U.S. policy toward the Government of Panama and the PDF has, since 1968, been supportive and cooperative. This twenty-year history of close U.S. association with the military leaders of Panama has led to sharp criticism from opposition political leaders who believe that PDF dominance over the politics and government of Panama has been tacitly approved if not overtly supported by successive administrations in Washington, D.C.

Since ratification of the Treaties in 1978, however, the United States has been more vigorous in its support of democracy in Panama. But U.S. standing in

Panama suffered a sharp blow in 1984 when American policy-makers appeared to play an important role in selecting, nominating and electing a candidate (Nicolas Barletta) acceptable to the United States. While U.S. approval or involvement in the election fraud has never been established, the fact of the fraud -- and the close relationship between the two military and intelligence establishments -- led many Panamanians to suspect U.S. complicity. A residue of anti-American sentiment growing out of the events of 1984 is still perceptible among many Panamanians.

President Barletta's forced departure in 1985, however, was seen as a set-back for U.S. policy and prompted U.S. spokesmen to be increasingly strong and clear in articulating official U.S. support for a rapid restoration of genuine democracy to Panama. On October 23, 1986, for example, U.S. Ambassador Arthur Davis, gave a speech to the American Chamber of Commerce of Panama in which he underscored the importance of democracy to the future of U.S.-Panama relations. Ambassador Davis said:

"Americans understand and identify with democratic governments and leaders . . . Fully functioning democratic institutions in Panama are the best guarantee to Americans and Panamanians alike for success in the turnover of the Canal to Panama . . . Panamanians need an election in 1989 that, after the ballots are in and counted, truly reflects their political will. . . Progress over the next several years in the political area will affect U.S. attitudes towards Panama and the degree of support which we will be able to offer." See Exhibit M.

And when the new Commmander-in-Chief of the Southern Command, General Frederick F. Woerner, Jr. gave his inaugural speech on June 6, 1987, he echoed Ambassador Davis' call for a restoration of democracy and the rule of law in Panama.

The government-organized attack on the U.S. Embassy prompted the United States to suspend military and economic assistance and significantly alter its previous relationship with the Government of Panama. On June 30, 1987, Assistant Secretary Abrams said:

"Let me state flatly that we view the recent press censorship in Panama as utterly indefensible . . . Our starting point is that freedom of expression and an end to press censorship are essential prerequisites if the people of Panama are to resolve their problems by democratic means . . . We are not neutral on democracy, and Panama needs to hold free elections to satisfy its people's demand for democracy . . . Deep military involvement in politics neither supports civilian rule nor helps Panama fulfill its role as defender of the Canal."

B. The Senate

The Senate first began to express its concern about events in Panama when the Senate Committee on Foreign Relations held a series of hearings on Panama in March, April and May 1986. On September 26, 1986, an amendment was added to the Defense Department Authorization Bill for FY 1987 calling on the Central Intelligence Agency to provide a complete report on allegations that top Panamanian officials were involved in drug trafficking, money laundering, and gun-running and were also responsible for ordering the Spadafora murder.

On March 1, 1987, the President certified that Panama had "fully cooperated" with U.S. anti-narcotics efforts in the previous twelve months. But on April 3, 1987, the Senate approved (by voice vote) Senate Joint Resolution 91, which stated the Senate's disapproval of Panama's certification and would have cut off assistance to Panama. Because the Resolution of Disapproval passed one day after a 30-day deadline, aid was not rescinded.

On June 5, 1987, just as the crisis was breaking, fifteen Senators cosigned an open letter to the Panamanian people refuting accusations in government-owned newspapers that recent actions by the Senate were part of a "conspiracy" to abrogate the Panama Canal Treaties.

Three weeks later, on June 26, 1987, the Senate approved (84-2) Senate Resolution 239 expressing the sense of the Senate in support of human rights, the restoration of democracy in Panama, and the removal of implicated officials until all allegations had been investigated.

On August 6, 1987, a group of interested Senators introduced S. 1614, which, if enacted, would cut off military and government-directed economic assistance to Panama unless certain conditions -- concrete progress towards civilian control of the government, an independent investigation of crime and corruption within the PDF, and restoration of constitutional rights -- were met. On

August 7, the same group of Senators introduced S. 1650, the Democracy in Panama Act of 1987, which, if passed, would eliminate Panama's quota for sugar exports to the United States unless the same conditions were satisfied.

By September, the situation in Panama had so deteriorated as to prompt further Senate action. The closing of opposition media, the unnecessary and excessive use of force by the military as it arrested peaceful demonstrators, and the continued intransigence of the Panamanian military led the Senate to take further action. On September 24, 1987, the Senate voted (97-0) to adopt legislation pledging to terminate U.S. assistance in 45 days unless there was substantial progress in the effort to achieve genuine democracy and civilian control of the government.

On October 22, 1987, the Senate Committee on Foreign Relations held a public hearing on S. 1614.

On November 12, 1987, the Senate Staff delegation traveled to Panama and returned the following Monday, November 16. Responding to oral recommendations from members of the delegation, the Senate Foreign Relations Committee made certain modifications in S. 1614 and, on November 19, 1987, unanimously (19-0) reported the legislation, as amended, to the floor.

On December 1, 1987, the Senate Appropriations Committee approved S. 1614 (as amended) and included the legislation in the Continuing Resolution. That legislation, if and when it becomes law, will terminate all U.S. military and economic assistance to the Government of Panama and suspend the sugar quota for calendar year 1988 unless freedom of the press and other constitutional rights are restored.

IV. THE TRIP TO PANAMA

A. The Government of Panama

In Washington, D.C., the delegation met with the Ambassador from Panama to hear his government's views prior to the trip. In Panama, the delegation met with numerous government officials and cabinet ministers, including the First Vice President (a recent critic of the regime), the Minister of Government and Justice, the Minister of Labor, the Attorney General, the Minister of Commerce and Industry and the Deputy Foreign Minister. The delegation met with leaders of the government party (the PRD) and with supporters of the government coalition (UNADE) in the Legislative Assembly, including the President of the Assembly. The delegation also met with personal representatives of President Delvalle. (For a description of the delegation's meeting with nine officers of the Panamanian Defense Forces, see Section B below.)

Many of the meetings were formal, in offices around a conference table or, in the case of the Legislative Assembly, in a committee room. The delegation also met with government officials and government supporters in more informal, social settings. On the last night in Panama, for example, the delegation attended a reception at the residence of the new Deputy Chief of Mission for the Panamanian Embassy in Washington, D.C. _/ Text of footnote: The delegation's activities were closely watched by all sides. For example, as the delegation left the new Panamanian DCM's residence late that Sunday evening, it traveled through a residential street lined with white paper plates and cups on the curbs and white paper festooning the fences on both sides, a "farewell from the Crusade," we were told.

The Government of Panama is highly critical of the American Ambassador (Arthur Davis), his daughter, the Deputy Chief of Mission (John Maisto), and other U.S. Embassy personnel who, they contend, have participated in opposition rallies and demonstrations. The government points to a record of what it claims to be unrelenting support for the opposition by U.S. officials in Panama -- such as a steady stream of public statements issued by the Embassy, visible meetings with top opposition leaders, and the U.S. Ambassador's decision to meet Vice President Esquivel at the airport after Esquivel called for General Noriega's resignation. _/ Text of footnote: According to Ambassador Davis, he went to the airport to meet Vice President Esquivel after receiving a call from Esquivel's wife, an American, who said that she was worried for her husband's safety since she had heard that the military planned to arrest and detain the Vice President upon his arrival in Panama City. The Ambassador believes her fears were justified and suspects that his personal intervention with General Noriega along with his own presence at the airport forstalled Esquivel's arrest.

Spokesmen for the government express particular irritation with the U.S Ambassador for failing to re-paint the U.S. Embassy. The white facade of the U.S. Embassy in Panama, as of the date of this report, is still marred by large splotches of bright red paint thrown by Panamanian government employees who participated in a government-organized demonstration protesting the resolution passed by the U.S. Senate. The Government of Panama has made restitution, and it contends that the U.S. Ambassador's tardiness in repairing the damage is a gratuitous insult.

The Government of Panama is also angry with the United States Senate for its "aggressions and interventions on the sovereignty of Panama." This, they say, prolongs the crisis by giving the opposition the hope that the United States government will become actively involved in Panama's internal affairs and use its influence to support the opposition's campaign to get rid of General Noriega. So long as the opposition feels it has the support of the United States government, the government argues, the opposition will not negotiate any solution short of an overthrow of the existing government.

The Government of Panama also believes that the Senate has been the target of a sophisticated disinformation campaign conducted by former Ambassador to the U.S., Gabriel Lewis Galindo, and government supporters criticize the American press as being "superficial" and "misinformed."

Panamanian government officials and their supporters offer a variety of explanations for the national crisis. While acknowledging that Diaz Herrera's allegations triggered the initial demonstrations in June, they argue that subsequent events have been manipulated by the political opposition in an effort to overthrow the Delvalle government.

From the government side, the delegation heard the following explanations for the crisis in Panama and the following criticisms of American policy. (The delegation's evaluation of these arguments appears later in this report at pp. 90-95, 108-109)

(1) In 1968, the National Guard -- as it was then called -- took over the Government of Panama. The target of this coup was a small group of Panamanian oligarchs who had been running the country for sixty years as if it were their private preserve. Ever since 1968, that element of Panamanian society known as the rabiblancos -- white, wealthy, privileged, elitist and pro-U.S. -- have been seeking to reverse "the revolution of 1968." The recent turmoil is merely a continuation of that effort.

(2) Before 1978, when General Torrijos legalized political parties in Panama, opponents of the military government joined civic organizations as the only vehicles available to them legally to express their opposition to the government. Those civic organizations that make up the National Civic Crusade may claim that they are apolitical, but in fact, the most important

leaders of the most important organizations within the Crusade are all members of opposition political parties. The Civic Crusade is not what it claims to be -- a non-political force for decency and democracy. In actuality, the Crusade is a creature of the opposition political parties.

(3) Panama is a country evenly divided. Even those who contend that the election of 1984 was fraudulent will concede that the election was close. Thus, it should come as no surprise that the political opposition can mobilize thousands of Panamanians against the government. While it is true that Noriega has many opponents in Panama City, the PDF still has deep support in the rural areas of the country -- such as Chiriqui province in northern Panama -- and among the lower classes in poorer urban areas such as San Miguelito, a marginal community with a population of 200,000 on the outskirts of Panama City. While the initial public reaction to Diaz Herrera's allegations may have been spontaneous during the earliest hours, the opposition parties quickly took advantage of that reaction to launch an effort to achieve in the streets what they could not achieve at the ballot box in 1984 and what they know they cannot win in 1989. This crisis is nothing more than a "family quarrel" between competing political parties and economic interests. The United States should stay out of it and let the Panamanians resolve the problem themselves the way such conflicts should be resolved in a democracy, in the election of 1989.

(4) In recent years, the role of the military in the government has diminished. In fact, there is more civilian control over the military today than there was five years ago. Today, the government of Panama governs with the military, and all Panama hopes that it will soon be possible to govern without the military. But it is unrealistic to think that the government will ever be able to govern against the military -- which is what the opposition wants. The Defense Forces will never return to their pre-1968 "cop on the beat" role. (President Delvalle has consulted with Presidents Duarte and Cerezo about how to deal with the military. They urged him to deal with the military through persuasion not confrontation.)

(5) Before the crisis, Panama was free, tranquil and prosperous. There were no political prisoners. Three opposition newspapers published without restrictions. Opposition political parties and their leaders participated fully in the political life of the nation. The economy was healthy and getting healthier -- 3 percent real growth in GNP during the first 6 months of 1987. In Panama, there has been more democracy, stability and economic growth than in any other country in the Southern Hemisphere.

(6) There is a conspiracy between the rabiblancos and certain ultra-conservative groups in the United States, including members of the United States Senate, to abrogate the Panama Canal Treaties and to return effective control of the Canal to the United States. To secure American support, the rabiblancos have

secretly agreed, once they take power, to re-negotiate the Treaties.

(7) The crisis in Panama and the U.S. response to the crisis has produced the following:

-- a new wave of anti-Americanism that has swept through the country;

-- a strengthening of leftist forces inside and outside of the government;

-- a revival of class conflict within Panamanian society;

-- a decision by the Government of Panama to internationalize the conflict;

-- a cooling in military cooperation and communication between the two countries; and

-- a revival of hopes for abrogation of the Treaties and restoration of the Canal to the United States among right-wing circles in the United States and among "Zonians" in Panama;

(8) Panama's human rights record is better than most other countries. Certainly, Panama's problems are nothing when compared with Guatemala, El Salvador, Nicaragua, Argentina, and Chile. It is difficult for Panamanians to understand why the United States government is so upset, and most Panamanians reject the allegations of widespread human rights abuse.

(9) Every government has the right to maintain order, and the government of Panama has been both moderate and restrained in dealing with the demonstrators. Only three people have lost their lives, and those deaths were accidental. If confronted with a comparable situation in the United States with thousands of people in the streets calling for the overthrow of the government, the response would have been even harsher. Rather than condemning the government of Panama, the United States should be congratulating it for maintaining order with a minimum of violence. At the same time the Panamanians say that the United States government would also be closing down newspapers and arresting demonstrators if confronted with a comparable situation, they also warn that Panama is "different." "After all," they say, "We are not Saxons; we are Latins."

(10) If the United States really wants to promote the restoration of democracy and civilian government in Panama, it is going about it the wrong way. Rather than hastening the departure of General Noriega, U.S. actions have had the opposite effect of consolidating his support within the PDF and within the country. Opposition intransigence has destroyed all progress that had been achieved in building trust and confidence between the people of Panama and the PDF, and U.S. policy has driven Noriega back into his institution where he is strongest.

B. The Panama Defense Forces

Since 1968, the National Guard (redesignated the Panama Defense Forces in 1983) has dominated the politics and government of Panama. During the negotiation of the Panama Canal treaties, General Omar Torrijos pledged to remove the military from politics and to lead Panama toward a restoration of full democracy. Since his death in 1981, the Panama Defense Forces (Fuerzas de Defensa De Panama) have continued to be the dominant factor in Panamanian politics.

In order to understand the perspective of the PDF on the current crisis in Panama, the delegation spent over three hours with nine PDF officers on November 14.

The meeting was formal and cordial, and the officers were eager to share their views, although not always willing to respond to specific questions. (The entire meeting was tape-recorded by the PDF, and a copy of the recording has been provided to the delegation.) During the meeting the PDF officers made five points concerning their view of the situation in Panama.

1. Origin of the current crisis: The officers stated that the turmoil in Panama was caused by a small group of wealthy Panamanians determined to overthrow the government. One of the highest ranking officers claimed that, while on a trip to Japan with Noriega, former Ambassador Gabriel Lewis "offered me money to oust the Commander of the Defense Forces."

2. Attitudes toward the defense forces: The officers repeatedly asserted that the military had the support of the majority of people in Panama and that their

support was strongest in lower class areas and in the rural provinces outside of the Panama City-Colon corridor.

3. Role of the Defense Forces: The officers stated unequivocally that there was complete civilian control of the government and of the military in Panama. As one officer pointed out, "There are no military individuals in the civil institutions of our country." The military's role since June had solely been to preserve public order at the request of civilian authorities, and, according to one officer, the activities of the security forces had been "a model of restrained and effective crowd control." The officers were proud of the PDF's ability to maintain order without causing more injuries and death.

4. View of the United States: The officers expressed their belief that, after years of friendship, the U.S. was unfairly singling out Panama for "intervention" and that the U.S. Senate in particular was misinformed about the realities of Panama.

5. View of U.S. motivations: The officers stated that they felt certain elements in the U.S. were taking advantage of the crisis in Panama to avoid carrying out U.S. obligations under the 1977 Panama Canal Treaties.

The delegation inquired whether the PDF acknowledged that there was "a serious crisis in Panama. Does the PDF think there is a problem? If so, what is it?" The officers expressed the view that the only problem in Panama was a result of misperceptions in the U.S. resulting from misinformation from the international media. The United States and the international press were out of touch with what the PDF saw as the reality of the Panamanian situation -- which is that the Government of Panama was legitimately elected, is democratic, and is under civilian control.

The officers repeatedly used legalistic arguments to frame their answers. For example, Colonel Macias responded to a query on the extent of PDF control of the government by reading extensive portions of the Panamanian Constitution. The issue of the murder of Hugo Spadafora was dismissed as a Costa Rican affair since the body was found on the Costa Rican side of the border with Panama. Putting aside that legalistic argument, Colonel Macias believed that the "investigation" of the Spadafora murder was "adequate," and he was satisfied that no PDF officers were involved.

When asked if President Delvalle could dismiss General Noriega at any time as stated in the Constitution, the officer's responses were defensive and unclear until Colonel Macias intervened. Initially, the officers took the position that Delvalle could remove Noriega at any time. Then Colonel Macias quoted from "Law 20," the statute covering military retirement. After some discussion, Colonel Macias said that a decision to remove the PDF Commander could only be made by a team -- consisting of the President, the PDF, and the Cabinet -- and then only if the cause was death, retirement, incapacity or violation of the Constitution.

Concerning the human rights situation in Panama, the PDF vigorously maintained that their actions since June had followed the guidelines used by states all over the world to quell threats to public order. "There was freedom of the press in Panama," they said, "but that freedom was used excessively. Those newspapers would even print insults about your mother." They compared their "crowd control" activities in Panama with U.S. law enforcement actions, noting specifically the recent arrests of gay liberation demonstrators at the Supreme Court. The officers seemed genuinely bewildered and angry that Panama had been singled out and treated "worse than Cuba or Nicaragua." One officer insisted that Panama was already a full democracy.

In response to a specific question about the previous day's arrest of an American reporter for the New York Times (Larry Rohter) who was covering the Crusade's effort to conduct a demonstration, Colonel Macias replied that he was arrested because he "looked like a hippie." The reporter was released, according to Macias, because the PDF "did not want problems" with the reporter's newspaper or with the United States.

The PDF officers went to great lengths to show the degree of their cooperation with the U.S. in halting drug traffic and cited numerous U.S. Justice Department statements to that effect After a detailed exposition of joint US-Panamanian operations to interdict narcotics smuggling, one officer put forth his theory of why there were repeated reports of General Noriega being personally involved in narcotics trafficking and money laundering. The allegations, according to Major Trujillo, stemmed from the diligent efforts of the PDF, under Noriega, to halt the flow of drugs that impeded the operations of American drug smugglers. "Some influential people in the United States want to replace Noriega because he is interefering in their money laundering schemes," he said. When asked for the evidence to support that allegation, the officers cited a book about Roberto Eisenmann, editor and publisher of La Prensa, now in exile (The Eisenmann Connection, Cocaine, and the Samos Case, by Ricardo Velez). Because Noriega has interfered with their own personal interests in narcotics, these traffickers have begun a "destabilization" campaign aimed at removing Noriega from power.

One officer, apparently General Noriega's personal interpreter, told the delegation about one incident which, he said, explained why officials in the Reagan Adminstration are angry with Noriega. As Noreiga's interpreter, this officer claimed to have attended a December 1985 meeting between then National Security Adviser, John Poindexter, and General Noriega. At that meeting, Poindexter said, "I have a direct message from the President," and then, in the words of the PDF officer, "in a very arrogant and threatening manner" expressed President Reagan's dissatisfaction with Panama's role in the Contadora peace process. According to this officer, Poindexter wanted Noriega to cooperate with anti-Sandinista efforts, including a commitment for the PDF to serve as the future "spearhead" of a Nicaragua invasion force.

Noriega refused and told Poindexter that "he had insulted Panama," which led Poindexter to say he would "do whatever was necessary" to change Noriega's view. The officer complained that the United States does not treat Panama with "mutual respect." "Whenever we are talking about dollars with a stick," he said, "we are not talking about mutual respect. The United States treats us worse than an enemy."

The meeting closed with a Lieutenant Colonel's impassioned defense of the PDF. Summarizing the threads of earlier arguments, Colonel Macias then urged the U.S. to learn from "errors" made in dealing with other nations -- citing Cuba, Nicaragua, the Philippines and Haiti -- where the ouster of dictators was followed by turmoil and civil unrest. One officer said that the PDF was proud to have a professional commander in the person of General Noriega.

The delegation believes that the meeting was useful for both sides. The PDF officers heard the delegation's message that the actions of the U.S. government and the U.S. Senate were not motivated by any desire to renege on the 1977 Canal treaties. (That message was received without any apparent disbelief.) The delegation also made it clear that it was not in Panama to intervene in Panamanian affairs but to examine the situation in order to make recommendations to the Senate on how best to support democratic development and human rights in Panama.

There were few surprises in the meetings and, in the jargon of diplomats, there was a "frank exchange of views." The delegation did not expect to hear anything other than an "official" view of the crisis, and it was not disappointed. (The delegation was told that the officers present were hand-picked by General Noriega to meet with the delegation.) One U.S.-trained major put that view most eloquently when he said: "Panama _is_ a democratic country, and the government of Panama is run by civilians. We are really in a _process_ of democracy. We, as military men, are more and more concerned at our failure to have good relations with all Panamanians, but when people really are upset with their government, they go for it. This is _not_ happening in Panama."

There was no evidence of any break, fissure or disagreement of any kind in the Defense Forces. While not the forum for any dissatisfaction to be expressed, the officers present did represent a variety of backgrounds. Several are known to be very close to Noriega. A number of the officers have received training in the United States and have presumably had the benefit of the best U.S. military education has to offer.

The officers were assured that the United States desired a strong, professional, and non-political military institution in Panama. The delegation heard one officer state that the meeting was important so that it could see that the PDF was not made up of "gorillas." While few impartial observers have a "monster image" of the PDF, many Panamanians do, and it seems clear that the longer the PDF is used as an instrument of repression, the more the institution will suffer in the eyes of the Panamanian people.

What the PDF decides to do will play a most important role -- if not the most important role -- in resolving the turmoil in Panama. While expressing the view that plans toward restoring civilian control were progressing with all due speed, the PDF must be aware of the problems raised for the institution if the present situation is allowed to continue. Based on the delegation's meeting with the nine officers, the PDF seems genuinely interested in assuming its role under the Treaties assuring the defense of the Canal after the year 2000 -- and to the extent the current crisis continues, their preparation for that role will suffer.

C. The National Civic Crusade

The delegation met with five exiled leaders of the Crusade in Washington, D.C. before the trip. While in Panama, the delegation met with 25 leaders of various organizations representing all sectors of the Crusade.

The National Civic Crusade in Panama is a non-partisan organization formed in June of 1987. Originally led by the Panamanian Chamber of Commerce, Industry, and Agriculture and by the National Council of Private Enterprise, the Crusade now includes 197 business, professional, civic, labor, and non-political groups. The opposition parties are not members of the Crusade, although opposition political leaders work closely with Crusade leaders.

The Crusaders -- or "civilistas" -- formed their organization as a spontaneous reaction to the allegations of the former Deputy Chief of Staff of the Panama Defense Forces (PDF), Colonel Roberto Diaz Herrera, regarding widespread corruption in the PDF, drug trafficking, electoral fraud and political assassinations perpetrated by high ranking PDF members under the leadership of General Manuel Antonio Noriega. The Crusaders had two fundamental objectives in mind: first, justice, i.e., the departure, independent investigation and prosecution of General Noriega and other implicated officials; and second, democracy, i.e., the withdrawal of the military from civil functions and the restoration of genuine democracy.

Consistent with its first objective, the Crusade demanded an independent investigation of Colonel Diaz Herrera's charges. The Crusade insisted that all those officials who had been implicated in criminal charges must step down from their positions to ensure objectivity and integrity during the investigation. And, consistent with its second objective, the Crusade called for a restoration of all Panamanian democratic institutions, including the Electoral Tribunal and an independent judicial system.

The Roman Catholic Church was involved in the founding of the Crusade -- "in an advisory capacity" -- and was a signatory to the founding document. The Church continues to provide moral support to the Crusade.

The Civic Crusade meets regularly to discuss strategy. There is a directorate of 12 members, which includes representatives from each sector -- the business community, physicians, teachers, students, lawyers, workers and women. Decisions are made by consensus.

The Crusade does not come out of a protest-free Panamanian history but instead builds on earlier, similar (although not comparable) public displays of opposition to the government such as -- the public demonstrations that occurred when Arnulfo Arias returned from exile in 1978; the street protests against the 1984 election fraud; the demonstrations against Barletta's sales tax in 1984; and the public protests against the Spadafora murder in 1985.

The Crusade told the delegation that even though the Diaz Herrera allegations triggered massive popular response throughout Panama, the people were not surprised by such allegations. They reported that his allegations were unusual only because it was the first time they had been aired by someone from Noriega's inner circle.

In order to pressure the Government of Panama to meet the demands of the people, the Crusade also called for civil disobedience and non-violent demonstrations. The Crusaders have called for non-payment or delay of payment of taxes on any government services. They have even urged the people not to participate in the national lottery. Despite the government's repressive response, the Crusade has insisted that only non-violent, peaceful measures will be employed.

The Crusade-sponsored street demonstrations have been characterized by the widespread use of white handkerchiefs, white clothing, and peaceful marching and motorcades. It is no coincidence that "the civilistas" go to the financial district of Panama City for their demonstrations. Predictably 6000 banking employees and executives from over 120 banks can be counted upon to participate in the demonstrations.

Members of the Civic Crusade told the delegation of their difficulties in holding mass street rallies due to official bans on such meetings as well as the brutal tactics of anti-riot squads who disperse and arrest those who dare to violate the prohibition. The Crusade told the delegation that, while the delegation was in Panama, a woman's march was brutally broken up by female "dobermans" who split the skulls of two demonstrators, requiring numerous (13) stitches. The Crusade recounted many other incidents of brutality, even for such "crimes" as being caught carrying a white handkerchief.

Leaders of the Crusade told the delegation that they were encountering serious threats and harassment by the Government of Panama and the PDF. Six of their leaders have been notified that there are warrants for their arrest, and have since fled to exile in the United States. They stated that intimidation, persecution, and jailing of Crusade supporters and opposition sympathizers has increased since the first weeks of the June crisis.

All members of the Civic Crusade are united in their position that General Noriega must be removed from power if democracy is to be restored in Panama. When he resigns or is forced from power, they believe that the other members of the PDF who have been accomplices of

Noriega must also leave. Their position is that all civilian and military authorities who have been implicated in criminal activities must be tried. Furthermore, they do not believe that President Delvalle can play any role in a transition government.

After Noriega leaves, or is removed from power, the Civic Crusade proposes a transitional provisional government until the conditions for free and fair elections can be established. They seek to return the PDF to the barracks and to rebuild the Defense Forces as a professional, non-military military institution. The transitional, provisional government would seek reforms in the electoral laws, and would seek to establish an independent judicial system.

The Government of Panama claims that the Civic Crusade is run by the political parties of Panama who are merely trying to gain power. The Crusade told the Delegation that political parties may not be members of the Crusade, but that they do maintain contact with political opposition and independent parties in order to coordinate all opposition activities.

The Government of Panama claims that the Crusade is a small group of "wealthy" Panamanians from Panama City. The Crusade maintains that they are composed of a very broad sector of Panamanian society from throughout the entire country. In fact, when the delegation met with the Civic Crusade, there were present at the meeting, the leaders of such diverse, and lower income sectors as students, labor organizations, teachers associations and Indian groups.

The members of the Civic Crusade echoed words to the Delegation that were repeated many times throughout the trip. They believe that "the U.S. has propped up Noriega for 20 years." They do not want the U.S. to solve their current problems, because they believe there must be "a Panamanian solution." They told the delegation that all they want is for "the U.S. to stop aiding Noriega."

The Crusade believes that Senate pressure has provided moral support for all Panamanians who seek democracy. They expressed strong support for S. 1614, and assured the delegation that any resulting economic deterioration in Panama would not be blamed on the United States. The Panamanian people "know that the economic decline is due to the corruption of the current regime." The Senate must do more than "pressure" the Panamanian regime; it must pass binding legislation carrying the force of law.

The position of the Crusade was unanimous on the question of their willingness to negotiate with General Noriega. They say that negotiations are not possible as long as he maintains power, but that as soon as he leaves, they could negotiate the future of democracy with a transitional government.

They were adamantly opposed to any kind of U.S. naval, air or ground joint military exercises with the

Panama Defense Forces, whether they be large or small in number, as long as Noriega is in power. They feel strongly that this sends the signal that the Pentagon still supports the Noriega regime. Many Crusaders expressed frustration over what they feel are "mixed signals" from the United States.

The National Civic Crusade has been in existence for more than five months, and has continued to gain support from all sectors of Panamanian society, including groups never before involved in political life. They told the delegation that they would continue their non-violent struggle for democracy and would continue their efforts as long as necessary.

D. The Opposition Parties

The crisis threw the new and inexperienced leaders of the Civic Crusade into the forefront, replacing the heads of the opposition political parties as the "leaders of the opposition." The more traditional political leaders, meanwhile, have been more cautious and circumspect as the crisis unfolded.

Since the crisis, five opposition political parties have worked together. The first manifestation of their coalition occurred on July 8 when the five party presidents published an "Urgent Manifesto to the Nation" which called for a new government "completely free from the structure of the militaristic regime and the legitimacy of which must be based on the known will of the majority of the people." See Exhibit N.

The delegation met with leaders and supporters of four of the five parties in the coalition including: Dr. Arnulfo Arias, president and founder of the Authentic Panamenista Party (PPA); Dr. Ricardo Arias Calderon, Yale-educated president of the Christian Democratic Party (CDP); Alfredo Ramirez, president of MOLIRENA; Mario Galindo (Delvalle's private attorney) also of MOLIRENA; and Dr. Arnulfo Escalona, president of the Authentic Liberal Party (LA). (The fifth party is PAPO, "Partido Accion Popular.")

The opposition party leaders were unanimous in their support of legislation terminating U.S. military and economic assistance to the Government of Panama and were even more outspoken in their opposition to joint military maneuvers. They stated that if the Senate failed to pass the legislation or if the joint maneuvers went forward as scheduled, it would send a signal to the people of Panama that, once again, the United States was lining up with "the might as opposed to the right."

Responding to the argument that it was important for the Panamanian military to have the experience of working with a democratic military like the U.S., one of the leaders said: "No one has had a closer relation to the United States than Noriega. If democracy was to rub off by 'closeness,' Noriega would be the most profoundly democratic general in the Western Hemisphere."

When asked whether there were any officers in the PDF that the opposition parties could work with, another opposition leader looked to John Maisto, the

Deputy Chief of Mission at the U.S. Embassy, and said: "Actually, you would know better than we as to which officers support genuine democracy in Panama."

After the explosion of people into the streets in June, the government labeled the Civic Crusade as nothing more than a creation of opposition parties too divided to win an election and intent on using the crisis to seize power through alternative means.

Political opposition leaders, in turn, argue that the Civic Crusade represents a natural, spontaneous and broad based outpouring of resentment against the heavy-handed and corrupt rule of General Manuel Antonio Noriega. They cite as evidence the new, largely nonpartisan leadership that has come to the forefront to lead the Crusade. Although they say they continue to work well with the Crusade, opposition leaders make clear that they are playing a supportive, secondary role in the current crisis.

Moreover, they describe the Delvalle government as simply a civilian facade for the real power, General Noriega. The PRD is in charge, they argue, only as a result of fraudulent elections in 1984 rigged by Noriega and the Panamanian Defense Forces.

During the 1984 elections, the three opposition parties -- Panamenista Autentico, the Christian Democratic Party, and MOLIRENA,--formed a coalition known as ADO -- "Alianza Democratica de Opposicion" -- and supported the candidacy of Dr. Arnulfo Arias. The government alliance

(UNADE) was led by Torrijos' party, the Partido Democratico Revolucionario (PRD) with Nicolas Barletta as the presidential candidate. The government alliance included PALA, the Labor Party, the Republican Party (Delvalle's party), and the Liberal Party (Esquivel's party). Approximately 16 parties took part in those elections.

Arnulfo Arias, the national symbol of civilian opposition to military rule, has been elected president three times and deposed by the military in each instance before he completed his term. Ricardo Arias, who has never held public office, is a professor of philosophy at the University of Panama. In the 1984 elections, he was the opposition candidate for Second Vice president of the Republic.

To qualify legally as a political party, each party is required to have 30,000 members. Still unclear is the legal status of the communist party (the Moscow-line People's Party) and other parties which failed to garner 30,000 votes in the 1984 elections.

E. The Panama Press

The Senate staff delegation had a lunch with representatives of the independent new media, and spoke individually with members of the Government press during the trip.

1. The Government Press

The Government of Panama owns and controls the majority of the media in Panama, particularly since the Government closed down the independent press four months ago.

The three newspapers which are completely government-owned and controlled are the CRITICA, EL MATUTINO, and LA REPUBLICA. All three of these newspapers are notorious for publishing irresponsible propaganda. The papers contain little in the way of serious news accounts. All three of these papers have published regular scurrilous attacks on U.S. Senators, Senate staff, U.S. officials and their families. There were direct attacks against one member of the delegation and against some of the Senators represented in the delegation while we were in Panama.

Although LA ESTRELLA is independently owned, it often follows the government line and has defended the government throughout the crisis. The major shareholder and editor of this paper, Fito Altamirano Duque, is a legislator of the government party, and a former government Cabinet official. He also prints the national lottery tickets, an important source of revenue to him from the government. The assistant editor of LA ESTRELLA is the President of the government party. The Delegation spoke with Altamirano Duque at length, and he maintains that Panama has democracy, and that there is no reason for Noriega to relinquish power. He defended the large number of arrests in recent months, stating that the opposition forces were engaged in "violent protests" by blocking traffic.

The STAR AND HERALD, one of the oldest newspapers in the Hemisphere was closed down by LA ESTRELLA, allegedly due to economic reasons. However, the director of the closed newspaper claimed publicly that he had been put out of circulation for political reasons.

There are four television stations. Channel 5 is reportedly owned by President Delvalle and General Noriega. Channel 2 is owned by the Panama Defense Forces. There are two stations which are semi-independent. Channel 4 is independently owned, but until recently was sympathetic to the government. After demonstrating some independence from the government line, one of the owners was declared a traitor by the government. Recently, this channel has been under censorship and harassment of the management. Channel 13 is also semi-independent, but is owned by a government sympathizer. This channel has become more independent since riot police forcibly entered their building and physically abused people. Bosco Vallarino, the Channel 13 anchorman was sent a threatening message to leave the country, and is now in exile.

2. The Independent Press

Before the June 1987 crisis began in Panama, there were several independent newspapers and radio stations operating with relative freedom. There had been for many years, however, intimidation and harassment of certain outspoken independent journalists.

On July 26, 1987, the Ministry of Government and Justice entered the buildings of all the major independent newspaper and radio stations with uniformed PDF troops, forced everybody to leave, and formally closed them all down. The newspapers closed down were LA PRENSA, EL SIGLO, EXTRA, QUIUBO, and GAZETA FINANCIERA.

On that same day the only two opposition radio stations were closed down, and their frequencies were cancelled. Those stations shut down were RADIO KW CONTINENTE, and RADIO MUNDIAL. Another station, RADIO SONORA, which played only music, was also shut down.

The entrance to each of the buildings owned by the independent press has the government seal over the door with a note that says these places were closed by orders of the Attorney General.

Foreign newspapers have also been affected by censorship and closures. The MIAMI HERALD International Edition used to be printed at the LA PRENSA plant. When LA PRENSA was censored, they were also censored. When LA PRENSA was closed down, there were also forced to close down. They are now back in circulation, but must print in Miami and fly the paper daily to Panama.

3. Reasons for Closing Press

Members of the delegation had several

conversations with Attorney General, Carlos Villalaz. He was visibly irritated when the delegation questioned him on why the independent press had been closed down, and when the newspapers and radio stations would be reopened. Villalaz told us that all media that had been shut down had violated a law that prohibits "seditious activities."

The Attorney General said that all of the closed newspapers and radio stations are facing judicial proceedings, and that they will not be able to reopen unless they are found innocent. The independent journalists told the Delegation that the Government has not even taken the first step of a judicial proceeding. They do not believe that there will even be any process.

4. Journalists' Concerns

During our lunch with the independent journalists, they expressed several serious concerns about their status. The major concern of the radio journalists is that they have had their frequencies cancelled, and may never be able to return to broadcast.

The newspapermen are deeply concerned about the condition of their equipment. The printing equipment requires certain daily maintenance which is absolutely necessary to prevent irreparable damage. When the Delegation asked the Attorney General why the journalists could not enter their buildings to check their equipment, he retorted that they were liars, and could enter any day they want to. The independent journalists informed the Delegation that they had indeed submitted a written request to enter their property over four months ago, and it has never been answered.

A second major concern of the independent journalists is that they say they are being charged almost the same amount for electricity bills as when they were publishing their papers. In response to that charge, the Attorney General once again said that the journalists were lying.

The independent journalists are worried about serious financial difficulties. They say that by law they are not allowed to take the employees off the payroll, even though the papers are not operating. They are concerned that with continued loan payments, legal fees, and no income, they will soon be forced to sell off their property and plants. They believe that the Government is trying to delay the judicial proceedings in order to "starve them out of existence."

5. The Presidential Press Law

President Delvalle recently presented a new press law to the National Assembly for consideration. (Since the delegation's return to the United States, the Legislative Assembly rejected this law because it was too restrictive). The independent press believes that this law would actually legislate "self-censorship," and that they would be subject to severe penalties for violations.

According to the draft of the press law, nothing can be published which according to the Ministry of

Government and Justice will affect the dignity of the Government institutions or any government officials. It would be against the law to print anything which might affect the economy of the country or the national security. Nothing could be printed which the Government considers "support of foreign intervention." No criticism of the Government would be legal. All decisions of violations of the press law would be made by the Minister of Government and Justice. All sentences for violations would be decided by the same government Minister, and the only appeal allowable would be to the same Minister. Sentences include heavy fines and closing of paper or station. There would be no due process. If any paper is found to be guilty of violating the law, all employees of the corporation would be deemed guilty.

6. Harassment and Exile of Members of the Media

As stated earlier, intimidation and harassment of the press existed before the closing of the newspapers. LA PRENSA, for example, detailed to the delegation the physical abuse, intimidation and fining they have experienced since the paper opened in 1980.

Before the June crisis began, there were two notable journalists who were forced into exile. Roberto Eisenmann, Editor and Publisher of LA PRENSA, has been in exile in the United States for one and a half years. Guillermo Sanchez Borbon, a popular columnist for LA PRENSA, was beaten once, jailed once, and finally fled into exile after receiving a second summons from the Government which made him eligible for a five year jail sentence. His "crimes" related to information he revealed in his columns regarding the murder of Dr. Hugo Spadafora.

Since the crisis began, other journalists have been beaten, fined, jailed and forced into exile. They include Roberto Brenes, Editor of GAZETA FINANCIERA; Bosco Vallarino, Channel 13 anchorman and Voice of America correspondent; and Victor Martinez Blanco of Channel 13. Miguel Antonio Bernal, a popular talk show host has been jailed and had his license suspended for life. Demetrio Olaciregui, who ran the Information Office of the state-owned RADIO NACIONAL and was a columnist for a government newspaper, was fired from his post.

Many of the independent journalists still in Panama told the delegation of daily threatening phone calls to them and their families.

Many American journalists have also been followed, threatened and even expelled from Panama. In the last couple of months, the only two foreign journalists who were based in Panama were expelled by the Government. They were Lucia Neuman of CNN television, and Tom Brown of Reuters.

While the Senate staff delegation was in Panama, two American journalists were arrested for "suspicious attitudes" while walking down the street.

The independent press told the Delegation that even the journalists who were still working under increased pressured by the Government. Newspapers and television stations receive constant phone calls reminding them not to criticize the Government.

During the lunch with the delegation, the journalists voiced their strong support for Senate Bill 1614, which would cut off economic and military assistance to Panama. They also supported the idea of linking the suspension of Panama's sugar quota to the freedom of the press. They also expressed concern that the Government could reopen the press with strict censorship. Nevertheless, they were all pessimistic that they would be permitted to reopen anytime in the near future. They claim that even if the President of the Republic tried to reopen the media, the Defense Forces would prohibit it.

7. Delegation Visit to LA PRENSA Plant

Following the lunch with the journalists, the delegation decided to visit the LA PRENSA plant to see if it might be possible to enter the premises. The delegation was accompanied by Ruben Dario Carles, Chairman of the Board of LA PRENSA. Upon arrival at LA PRENSA, the Delegation noticed that an iron chain had been put up around the property.

The delegation approached the front door of LA PRENSA, and was immediately approached by two uniformed Defense Force armed guards who inquired what we were doing there. Mr. Carles responded that he was Chairman of the Board of the Company and wished to enter the building to show it to the visitors. The guards told him that they were under orders not to let anyone enter the building.

On the door of the entrance was an official government notice saying that the building had been ordered closed by the Attorney General.

While the Guards were demanding that the Delegation and Mr. Carles leave the property, a photographer from LA PRENSA appeared and began taking pictures. The PDF guard yelled at the photographer that if he took one more picture, "he would break his camera."

As the conversation was taking place on the grounds of LA PRENSA, passing motorists noticed the delegation, cars came to a stop, drivers spontaneously honked, and pulled out white handkerchiefs. These are the trademarks of the opposition to the Noriega regime.

When the conversation with the PDF guards began to get heated, and it was apparent that the delegation was being denied entrance to the building, we left the grounds.

It should be noted that the issue of a free press was brought up by virtually everyone who met with the Senate delegation. The members of the opposition stressed that without a means to communicate with the people, they would never be able to return to democracy. They explained to the delegation that the only way the people had been able to communicate and alert each other to opposition activities in the last five months had been by way of a phone chain, and by zeroxing flyers and passing them out to friends. Many people believe that the reopening of the press is the first thing that needs to happen if they are going to be able to continue their struggle.

F. The Catholic Church

The Catholic Church, while not the most prominent actor, has played a role in the present crisis. The Church is perceived to be part of the opposition, but believes it has the moral authority to bring the two sides together; and that is seen by the Church as its principle role. A very important role could emerge if the government and the opposition move toward talks to reach a political solution to the crisis.

Archbishop McGrath, along with other members of the Church hierarchy, acted quickly after Colonel Diaz Herrera publicly made his charges in June. Church leaders were among the first to visit with Diaz in his home in the early hours of the tense confrontations with the PDF. The Church, in this first stage of the crisis, called for consideration of the Diaz allegations in an open and peaceful atmosphere.

From the very beginning of the crisis, the Church has attempted to be part of mediation efforts with the government. Archbishop McGrath participated in negotiations between media representatives and President Delvalle on the reopening of La Prensa and the other press closed down by the Government. Although it was thought that a compromise had been worked out with the President, whereby the media would be allowed to function once again, nothing took place. Consequently, the government announced that the Legislative Assembly would be considering the new press law which severely restricts the press.

The most significant Church action thus far was the pastoral letter of Nov. 1, in which the Church presented its perspective on the crisis and made a clear offer to mediate. See Exhibit O. The letter, signed by Auxiliary Bishops Oscar Brown and Jose Luis Lacunza, and twenty other vicars and priests, referred to the "uncontainable deterioration" of the country which could result in social and economic chaos. It spelled out human rights violations such as arbitrary arrest, search without warrant, destruction of private property, the indignity of sending political prisoners to the prison island of Coiba, and the absence of freedom of expression. The letter protested the fact that priests were not permitted to see political prisoners for spiritual attention and expressed the fear that violence is beginning to escalate.

The Church, through the letter, appealed to the civil authorities to create the conditions for true democratization and reconciliation. To the military authorities it asked that they not repress peaceful demonstrations and that retirement times be respected. Of the political and economic powers of the Government and the opposition, it asked that the common welfare be put above personal and partisan interests.

In the conclusion of the letter, the Church offered itself as "agents of national reconciliation;" as "mediators in the effort to find a peaceful and constructive solution to the present crisis." It stated that the Church wanted to be "bridge builders," desiring only that the conflict come to an end with the parties promising to establish peace in the country.

The effectiveness of the Church as a mediator may be tempered by the perception that it is part of the opposition. Priests have been subject to various forms of harassment; a leaflet proclaimed that Archbishop McGrath was wanted "dead or alive." The government media basically ignores the Church, therefore it is not very prominent in the public eye. The will of the government to create a climate in which democratization can take place through negotiation with the opposition, however, could overcome its concerns over the Church's sympathies with the opposition. The Sandinista government's turning to leading critic Cardinal Ovando y Bravo to serve as a mediator in negotiations with the contras serves as a clear example and possibly as a model. The fact that the Government had not responded to the pastoral letter as of the mid-November period of the visit of the staff delegation, indicates that the offer for mediation is being met with little enthusiasm.

G. The Southern Command

The Southern Command in Panama consists of over 10,000 U.S. servicemen, mostly Army and Air Force. There are 2 U.S. Air Force bases, 2 Navy installations, and 1 Army base located in Panama. U.S. forces are to remain in Panama until December 31, 1999, when the Canal is turned over to Panama.

In Article IV of the Panama Canal Treaty entitled "Protection and Defense," the United States is given primary responsibility to protect and defend the Canal. The Treaty also creates a Combined Board comprised of senior military representatives from the U.S. and Panama. Among the board's responsibilities is the planning and conducting of combined military exercises.

Members of the delegation met with General Frederick F. Woerner, Jr., Commander in Chief of U.S. Southern Command, at Quarry Heights on the evening of November 13. We discussed at length the role of U.S. military in Panama and its relationship with the PDF.

General Woerner made it very clear that his command was being frustrated by the lack of unified U.S. policy on Panama. His duties oblige him to work with the PDF. At the same time, he is aware that his association with the PDF will provide unwanted and unnecessary legitimacy for General Noriega and cloud U.S. policy toward the Panamanian Government.

General Woerner also expressed concern with the safety of U.S. troops and their dependents in Panama. There are a total of 35,000 American troops and dependents, many of whom are forced to live off base because of a shortage of housing. Indeed, on October 7, nine servicemen were arrested on Panamanian streets for no apparent reason. At least two of these men were beaten. General Woerner also fears that because of deteriorating relations with the PDF, General Noriega could make day-to-day operations of Southern Command very difficult.

The role of the Southern Command after the transfer of the Canal was also discussed. In a Gallop poll taken in Panama this past August, a majority of Panamanians believed that the United States had no intention of complying with the terms of the Treaties. The result of that survey may be deceiving since many Panamanians want the military bases to remain. These bases are estimated to contribute upwards of $500 million annually to the economy of Panama.

Throughout the trip, the issue of joint military exercises between U.S. and Panamanian forces elicited energetic comment from all opposition groups. It was widely believed that any maneuvers with the PDF, no matter how minimal, would send the wrong signal to General Noriega and the PDF. Although Panamanians we spoke with applaud the State Department and the U.S. Senate for their firm stand on the democratization of Panama, they doubt whether the U.S. military supports this effort. This has resulted in the perception on both sides that the U.S. is sending mixed signals on Panama.

The delegation determined that the U.S. military presence plays a significant and underrated role in the current political crisis in Panama. The U.S. military should not be discounted or ignored when formulating U.S. policy on Panama. It is important for the U.S. military to understand and observe the spirit -- as well as the letter -- of U.S. policy when it comes to future relations with the PDF.

H. The Canal

After five months of political turmoil, the Panama Canal remains a potentially explosive political issue despite assurances from both the Panamanian Defense Forces (PDF) and the Civic Crusade that the Canal and the treaties which govern its operation should not become the focus of the current crisis.

General Manuel Antonio Noriega continues to portray opposition leaders as pawns in a larger U.S. effort to renege on Panama treaty obligations and maintain control of the canal beyond the year 2000. Opposition spokesmen dismiss Noriega's charges as having been ineffective and have labeled them as a smokescreen intended to distract attention from the real issue -- a transition to a civilian-controlled democratic government.

The Civic Crusade, for their part, continues to question whether a government that is controlled by a military as corrupt as Noriega's can effectively and efficiently operate the canal in the future. They argue that, ultimately, the long-term security of the canal can be assured only if a freely and fairly elected civilian-controlled government is in place.

In discussion with both government and opposition leaders, Senate delegation members strongly underscored the U.S. commitment to the treaties, emphasizing that they were the law of the land and would be respected as such.

Despite the continuing political crisis, the Canal is operating on a business-as-usual basis, with the number of canal transits -- 12,023 in FY 1986 -- and the total revenue and gross income flow - $323 million -- so far largely unaffected.

Nevertheless, the PDF continues to harass canal employees. Defense Force personnel arbitrarily stop and question workers coming to and from work, and approximately 14 Canal employees have been detained since civil disturbances began in June. Canal employees have responded by organizing the Movimiento Civilista Canalero (Canal Civic Movement), which supports the principles of the National Civic Crusade.

In the face of persistent harassment, emotions among Canal employees continue to run high. Noriega, according to some informed speculation, would like to pressure the U.S. and the internal opposition by harnessing this emotion in a way that would demonstrate his ability to slow or stop traffic moving through the canal. His intention, by some accounts, is to push Canal employees to retaliate with a slow-down or strike.

Noriega reportedly remains more concerned over maintaining control than by any short-term revenue impact, and will take any action deemed necessary to do so. This despite the fact that direct toll revenue to Panama represents more than 9 percent of the government's revenue in 1986. Estimated total income from all U.S. government activities in the Canal area is even more -- $532 million in FY 1986.

Noriega seems to believe that a slow-down or strike will not seriously affect long-term operations because shippers have no alternative to using the canal. Others argue, convincingly, that the canal is subject to the same competitive pressures as any enterprise, and that any interruption in service will encourage shippers to look for transportation alternatives over the long-term.

V. CONCLUSIONS AND RECOMMENDATIONS

The delegation recognizes that its fact-finding mission to Panama was conducted under certain unavoidable constraints. The delegation could spend only four days inside the country, and because of a desire to talk to as many Panamanians as possible, the delegation remained in Panama City for the entire four-day period to carry out a heavy schedule of back-to-back meetings. Despite these limitations, however, the delegation has been able to reach certain conclusions about the situation in Panama today, about what is likely to happen in the coming months, and about what role the United States should be playing to advance American strategic and political interests.

To its surprise, the delegation discovered that, although Panama is in fact dangerously polarized and the nation is indeed in crisis, there is a profound consensus among the people of Panama about the kind of country they want, about the kind of government they want, about the kind of politics they want, and about the kind of military they want.

That consensus is not difficult to describe: all Panamanians -- including the military -- say that they want:

-- democratic government with civilians in charge;

-- freedom of the press and freedom of expression;

-- a non-political, professional defense force capable of defending the Canal;

-- elections that are free and fair;

-- an end to official corruption and criminal activity; and

-- an independent judiciary to protect constitutional rights and to enforce the rule of law.

The tragedy of Panama today is that the people of Panama are united by these shared values and aspirations but divided by fear, distrust and suspicion. For whatever reason, there are at this moment in Panama's history no national leaders and no national institutions with sufficient credibility or standing to define this national consensus, to mobilize support for it and to rally the people. In this vacuum, the military has a virtually free hand, having to contend only with the Civic Crusade. Panamanians on both sides of the crisis use the word "impasse" to describe the current situation.

In the absence of national leaders and national institutions, the only way out may be for all the leaders of Panama to engage in a national dialogue aimed at formulating a plan to guide the people of Panama for the next eighteen months, a script for all the players to follow until free and fair elections can, in fact, be held in May 1989. The delegation found many serious and thoughtful Panamanians wrestling with the idea of taking such an approach, and the delegation is convinced that the framework for a natural transitional arrangement -- based on the national consensus described above -- exists today. See p. 96 below -- "A National Plan."

The delegation sought the answers to certain concrete questions posed by the Senate legislation, S. 1614, *i.e.*, whether there has been any progress in the effort to restore democracy, respect for human rights and the rule of law in Panama. The delegation's conclusions and recommendations -- based on those answers -- are set forth below.

A. Panama Today

1. The Origins of the Crisis

The Delegation's Conclusions:

The root cause of the crisis in Panama today is the military's continued control of the government in a country that is ready and yearning for genuine democracy. Although the proximate cause of the crisis was Diaz Herrera's allegations in June, the crisis has been many years in the making. As one knowledgable Panamanian told the delegation, "The crisis is the product of a government that has been in power for twenty years -- with too much waste, too much corruption, and too little democracy."

Diaz Herrera merely provided the occasion for a fragile peace -- unhappily concluded in 1984 -- to be broken and for longstanding popular dissatisfaction with military-run government, now focused on the issue of General Noriega's leadership, finally to bubble to the surface. Civic leaders have no faith that free and fair elections can be held in 1989 with Noriega still in power, and they took advantage of Diaz Herrera's June revelations to mount a popular effort to remove Noriega. Most Panamanians believe that if the current campaign to rid Panama of Noriega fails, if Noriega remains in power throughout 1988 and into 1989, Noriega will be in charge of Panama for the forseeable future. This perception is responsible for an atmosphere of last-ditch desperation, a feeling of "now or never" among the leaders of the Crusade.

Spokesmen for the government of Panama are correct when they say that, prior to Diaz Herrera's dramatic allegations in June, Panama appeared, at least on the surface, to be making progress. The economy appeared to be sound, the opposition press appeared to be free and unfettered, the opposition parties -- although weak and fragmented -- appeared to be free to organize, opposition political leaders appeared to be free to participate in the deliberations of the Legislative Assembly, and the Panamanian military appeared to accept Omar Torrijos' 1978 pledge that civilian rule would soon be restored to Panama. All of this gave the appearance that military rule was on the way out and democracy was on the way in. All of this seemed to mean that, even if President Delvalle's government was not yet wholly in charge of Panama, such a civilian government certainly could -- and hopefully would -- be established in 1989 when the next presidential elections are scheduled to occur.

But the pre-June appearances of stability and progress -- described so frequently to the delegation by government spokesmen -- was certainly not the reality. Long before June 1, 1987, many Panamanians were already profoundly disturbed: by allegations of rampant corruption within the Panamanian Defense Forces; by continuing and apparently total PDF dominion over the Panamanian government; by Dr. Cesar Quintero's resignation as Chairman of the Election Tribunal amidst his allegations that the 1984 presidential election were rigged; by the torture and murder of Dr. Hugo Spadafora; by the apparent forced resignation of President Nicolas Barletta after he sought to establish a commission of inquiry to investigate Dr. Hugo Spadafora's murder; and by evidence that the Chief of Staff of the PDF, General Manuel Antonio Noriega, was himself deeply involved in crime (i.e., the Spadafora murder), corruption (i.e., selling visas, laundering money, running guns, and smuggling narcotics) and election fraud.

In short, the crisis was brewing long before June when Diaz Herrera made his public charges against General Noriega. Indeed, Panamanian citizens are fond of saying: "Diaz Herrera only said what everyone already knew."

Despite PDF arguments to the contrary, the role of the military has not yet been satisfactorily resolved. As one prominent Panamanian told the delegation, "The problem in Panama today is that we are governed by a two-headed monster. There is a civilian head without power, and there is a military head with all the power. Until the problem of the two-headed monster is resolved, Panama will remain in crisis."

President Delvalle and his supporters are the first to say privately that they have not been able to do what they want to do when it comes to opening the newspapers or allowing peaceful demonstrations, and that they cannot negotiate the future status of Noriega and the PDF without the PDF being at the table. When candid, government supporters agree with their opposition counterparts that the primary challenge facing Panama today is to achieve a genuine restoration of civil authority and control over the Government of Panama and, correspondingly, a peaceful withdrawal by the Panamanian military from non-military functions to the more traditional role of a professional military. Many government supporters express personal frustration that they have not been able to persuade opposition leaders to make common cause with President Delvalle in his effort to achieve those objectives.

In short, the military still calls the shots in Panama today -- at all levels and in all matters of consequence. If anything, the PDF has expanded its influence and become increasingly involved, albeit invisibly, in numerous economic pursuits that are widely seen as inappropriate for a professional military.

The Government's Contentions:

The government's effort to present the "civilista movement" as an effort by the white, middle and upper classes to assert political supremacy over the black and the poor -- whose champions are the PDF -- does not coincide with the experiences of participants in the movement or with the reports of objective observers. One impartial North American observer of a Crusade rally told the delegation that the participants in that rally -- which numbered in the tens of thousands -- accurately reflected a cross-section of Panamanian society -- the poor as well as the middle and upper classes, rural folk as well as city dwellers, black and brown as well as white Panamanians.

It is true that there are wealthy and well-educated members of the Panamanian upper classes in the leadership of the anti-government forces. But the government's charge that the opposition forces are led by "the new oligarchs," by leaders who are actual or spiritual descendents of the privileged elite that was ousted in 1968, by a self-conscious and disciplined social and economic class seeking to regain political power falls short of the truth. To an outsider, it appears that there are just as many privileged and sophisticated businessmen, just as many members of the Panamanian elite involved -- politically, socially and economically -- with the existing government as there are in the opposition.

The government also claims that the political opposition has manipulated the crisis in an effort to achieve in the streets what could not be achieved in 1984 at the ballot box. That explanation, however, does not account for the fact that a broad spectrum of social groups from all sectors of Panamanian society have legitimate grievances. Nor does it explain the historically unprecedented emergence of the National Civic Crusade. While it is true that many leaders of the Crusade are members of opposition parties, none of those individuals or their organizations were engaged in political activity -- opposition or otherwise -- prior to the creation of the Crusade. The organizations that have signed on to the Crusade, now numbering close to 200, were not -- and are not today -- creatures of the opposition political parties. Those organizations and their leaders were -- and still are -- genuinely civic and non-political. Their sudden and dramatic entry into the political arena can only be explained by deep-seated and widespread dissatisfaction with the way the system is functioning.

Similarly, there is absolutely no evidence to substantiate the government's charge that the crisis in Panama is the product of a conspiracy between the rabiblancos and ultra-conservative elements in the United States who seek to re-negotiate the Canal Treaties. In fact, all the evidence is to the contrary. With one exception, the leaders of the Panamanian initiatives in the Senate have been Senators who have been strong and consistent supporters of the Canal Treaty. All the Senators involved in the Panama initiatives have been extremely sensitive to allegations of interventionism in Hemispheric affairs, and have been involved in the effort to have U.S. foreign policy give greater weight to human rights in our dealings with other governments.

The Panamanian government's far-fetched imaginings of a conspiracy are more likely intended for two audiences important to the future of the Panamanian military: (a) for domestic consumption, to bolster the government's support among the Panamanian people by preying on their long-standing suspicions of American intentions with respect to the Canal; and (b) for other nations in the Hemisphere who are quick to suspect U.S. motives and reluctant to support any policy that smacks of "interventionism."

2. Public Opinion in Panama

The government asserts that General Noriega and the PDF are still popular in rural areas and among the urban poor. The delegation had no independent way of measuring for itself the depth and breadth of the Panamanian people's dissatisfaction with Noriega.

A recent public opinion poll, published in August by Gallup International's Costa Rican based affiliate (CID: Consultoria Interdisciplinaria en Desarrollo, S.A.), measured attitudes among the metropolitan population of Panama and found the following:

-- 77 percent regard the 1984 elections as dishonest compared with 10 percent who consider them valid;

-- 79 percent believe that General Noriega runs the country compared with 8 percent who identify Delvalle;

-- 67 percent believe that the PDF interferes too much in the affairs of the nation, 77 percent think that the PDF's functions should be exclusively military, compared with 6 percent who say that the PDF does not interfere and 20 percent who believe that the PDF should also perform non-military functions; and

-- 75 percent believe that General Noriega should resign as Commander in Chief compared with 13 percent who say that he should remain in office.

But whether the opposition to Noriega is as profound throughout all Panama as is suggested by this poll of city-dwellers or whether Noriega still enjoys popular support -- as the PDF claims -- the real issue is the credibility of the government and its ability to govern. No government can continue to rule -- without sustained repression -- if a sizable element of the population rejects its legitimacy and engages in a sustained and persistent challenge to that government's authority. Such is the case in Panama today.

There may be some truth to the government's assertion that there has always been strong opposition to the Panamanian Defense Forces -- as was manifested in the close contest of 1984 and has been shown by past election successes of Arnulfo Arias. But today Panama is not a country evenly divided on the issue of Noriega. There is profound dissatisfaction with his personality, with his politics, and with his performance -- at all levels of Panamanian society. That dissatisfaction can be seen in all regions of the country and among all of Panama's social classes.

3. Panama's Human Rights Record

The government argues that nothing that has happened in Panama comes close to the dismal record of human rights abuse in certain other Latin American countries. But Panama is different, and Panamanians are the first to say that Panama should not be compared with other countries in the Hemisphere. To deal with the crisis, the PDF -- with apparent government approval -- has resorted to repressive measures totally inconsistent with Panama's recent history.

No one would dispute the right of the Panamanian government to maintain order, and it is true that there has been remarkably little loss of life so far. But in light of the innumerable instances of gratuitous violence against peaceful demonstrators by the security forces, the delegation does not accept the PDF's claim that its "crowd control" has been "restrained."

On the contrary, what the government has done to repress the Panamanian people -- such as closing down opposition newspapers, arresting peaceful demonstrators and sending them to Coiba, using birdshot at point-blank range, beating up detainees, issuing arrest warrants for the leaders of the Crusade and forcing them into exile --

has actually been counterproductive. Rather than keeping order, those measures guarantee that the crisis will continue. To quote one Panamanian opposition leader, "The heat of repression has been turned up under a pot that is already close to a full boil." Additional acts of repression may keep peaceful demonstrators off the streets of Panama City, but they will not end the crisis. And it is would be incorrect to conclude that, because the people are no longer daily in the streets, the crisis is over.

B. Panama's Future

One Panamanian described the current situation in this way: "Right now, no one is winning. Everyone is losing. Nothing is permanent. This situation cannot continue."

1. Possible Scenarios

The delegation sees a number of possible scenarios that could develop in Panama between now and the 1989 presidential elections. Each of these scenarios depends upon the following constellation of factors:

-- whether the opposition can sustain its challenge to the government over time by maintaining the intensity of anti-government feeling among its supporters and by continuing to challenge the government in the streets and in the press;

-- whether General Noriega has staying power, *i.e.*, the will to remain in power, the willingness to subject his country to increased repression and violence, and the ability to maintain unity and cohesion within the PDF as an institution;

-- whether the existing government leaders -- President Delvalle in particular -- are willing to continue to govern with and for the Panamanian military;

-- whether the economy goes into such a rapid and dramatic decline as to render the country ungovernable; and

-- whether the international community, with the United States as the most powerful player, continues to put pressure on Noriega to reform the defense forces and restore democracy to Panama.

The scenario embraced by many of the most passionate Civic Crusaders -- Noriega's departure by the end of the year -- is probably unrealistic. Manuel Antonio Noriega is shrewd, tough and determined. He has resorted to violence to gain and maintain power in the past, and he can be expected to turn to it again. Although an important way of showing public opposition to Noriega's government, General Noriega will not be removed from power solely by honking horns in the streets, by waving white handkerchiefs or by banging on pots. Nor is it realistic to think that he will relinquish power on instructions from Washington, D.C. Removing an entrenched military dictator is never an easy proposition, and this particular dictator has shown considerable skill and talent in surviving. Noriega does not yet have the longevity of a Marcos or Duvalier, but if he survives the next eighteen months, he could be around for a long time to come.

Scenario No. 1:

The Delvalle government could try to rule during the next eighteen months as it has over the past six -- with the support of the PDF and with continued repression of the opposition, as needed, "to maintain order." This scenario would involve alternating cycles of relaxation and repression and would probably produce ever more serious incidents of violence. In such a scenario, there is a real possibility that a single incident -- comparable to the assassination of Benigno Aquino in the Philippines -- could inflame the public and once again throw the people into a direct confrontation with the security forces. This scenario is based on the premise that the government and the opposition forces will not be able to reach any kind of agreement as to a modus vivendi between now and the 1989 elections. The absence of such an agreement would result in a continued and ever sharper decline in the economy. Such a development, standing alone, will contribute to increased tensions inside Panama. This scenario makes the possibility of free and fair elections in May 1989 extremely unlikely. This scenario is embraced by some U.S. analysts who have concluded that "Noriega is over the hump, has survived, and must be dealt with."

Scenario No. 2:

The Delvalle government could take a much more aggressive position vis-a-vis the military and, by making common cause with opposition forces on certain issues, produce a confrontation between a "popular front" that represents all -- or almost all -- the civilian political leadership of Panama and the Panamanian military. Such a scenario depends upon the skill and, above all, the courage of President Delvalle. (Is he willing to reach out to his traditional adversaries in the opposition?) And it depends no less upon the opposition. (Are they willing to negotiate without preconditions, to align themselves with Delvalle against the military on certain issues?) Such a scenario could lead to a national negotiation in which the terms of Noriega's departure and the future of the Defense Forces are finally resolved as a prelude to the 1989 elections, or it could just as easily lead to abrupt PDF intervention -- see Scenario No. 3 -- replacing Delvalle with yet another president or returning the country to outright military rule. The political courage and imagination required for this scenario to unfold -- by government and opposition leaders alike -- has not been manifest to date.

Scenario No. 3:

A third scenario would involve a decision by General Noriega and the defense forces to eliminate the facade of civilian rule, to carry out a "mini coup" against the Delvalle government, and to crack down on any and all manifestations of dissent. This scenario is most likely if, as the crisis develops, the PDF concludes that its very survivial is at stake and the only way to guarantee a future for the Panamanian military is to act decisively against all potential threats from the civil side of Panamanian society. One aspect of this scenario could be a decision to take Panama into the arms of the Soviet Union. In the context of increased pressure from his old ally, the United States, and in light of increased diplomatic activity by Soviet and Cuban diplomats in this Hemisphere, Noriega might conclude that his long-term interests are best served by increasing contacts with and reliance on the Soviet Union. This scenario is, of course, the most dangerous from the American point of view.

2. A National Plan

Most Panamanians accept May 1989 as the time when the next presidential elections are to occur. The fundamental question, then, is how Panama is to be governed between now and then, and what can be done to guarantee that those 1989 elections are in fact free and fair. The delegation found that a number of thoughtful Panamanian leaders -- inside and outside of government -- were talking about the idea of a plan, a national understanding as to "a calendar of events" that would take the nation through the next eighteen months of its history and set the stage for free, fair, binding and valid elections.

For a plan of national reconciliation to work, all of the players must acknowledge that no single party can impose a solution indefinitely. That may not be as difficult as it seems, since as one Panamanian leader pointed out, "Panamanians are by nature transactional, not confrontational." For there to be domestic tranquility between now and May 1989, there must be some give from everyone. In the words of one Panamanian, "The Crusade must be told that you have a big and a popular movement, but you don't have the power that you think you have. President Delvalle must be told to act like a president, or else. General Noriega must be told that, if he wants to live out his days in the country of his birth, he must agree to leave office peacefully -- and soon."

More specifically, the National Civic Crusade must recognize that its call for Noreiga's and Delvalle's immediate departure might be unrealistic. And the defense forces must understand that to make peace with the people of their nation, to preserve their own institution, they cannot continue to rule as they have in the past.

To implement a national plan of reconciliation would require that the following four steps be taken:

First, before a dialogue could even begin, the repression would have to be lifted. The newspapers must be re-opened, the arrest warrants for all leaders of the Civic Crusade must be lifted, and the people must be allowed to hold public meetings, so long as those meetings are not violent and do not jeopardize public order.

Second, the electoral laws must be revised and reformed. The Electoral Tribunal must be re-constituted to include Panamanian citizens with impeccable reputations for impartiality and integrity. Measures must be adopted that allow for stringent monitoring of the polls and the tabulation process -- either by an impartial group of Panamanian citizens or by an international delegation or by both.

Third, the leadership of the PDF must be changed and the institution itself reformed. General Noriega would have to agree to step down on a date certain sufficiently in advance of the 1989 elections to guarantee that the election process would be untainted by his presence in office. (There was unanimity on this point from all segments of the opposition. To cite one leader, "When General Noriega mentions that he will retire after the 'free election,' everyone understands that, if he manages to stay until then, he will remain for as long as he wants.") Other reforms could include: mandatory retirement of all members of the General Staff with over 25 years of service; the establishment of a set term of service for the PDF Commander (*e.g.*, five years); and the creation of a process by which subsequent Commanders are selected by the President, as already stated in the Constitution.

And finally, President Delvalle must agree to broaden his government to include respected Panamanian citizens -- untainted by past scandals or political partisanship -- in certain key posts in the cabinet.

The delegation found consensus on these four points among a broad spectrum of Panamanian civilian leaders. The implementation of such a plan could only occur in the context of negotiations with opposition leaders, but if successful, it would restore a measure of tranquility to Panama and create an atmosphere conducive to free and fair elections in 1989.

C. U.S. Interests

The paramount U.S. security interest in Panama is, of course, the continued viability of the Panama Canal. American policy makers have long recognized that the single greatest threat to that interest comes from instability inside Panama and the danger that a government hostile to the United States could one day take power in that country.

The link between security for the Canal and stability inside Panama has led past administrations to treat the Panama Defense Forces as the key to stability inside Panama and the single most important factor in assuring the security of the Canal. Accordingly, U.S. policy-makers in the past have sought to develop close and supportive relations with the PDF. But today, the sources of instability inside Panama have changed.

It is no small irony that the Panamanian military -- its reluctance to relinquish effective control over the government, its refusal to move quickly to restore genuine democracy, and its readiness to resort to repressive measures to maintain power -- is the single most destabilizing force inside Panama today and thus, indirectly, the greatest threat to the security of the Canal.

The United States also has important political interests in Panama -- to promote democracy and respect for human rights. Putting aside the issue of the Canal, it is important to the cause of democracy throughout Central and South America that a healthy and flourishing democracy be functioning in Panama.

What is noteworthy about U.S. interests in Panama today is that our eighty-five year old security interest (the Canal) coincides with our three hundred year-old political interest (freedom and democracy in the Hemisphere). Those interests will be best served and protected if American policy works effectively and vigorously for the restoration of democratic rule inside Panama.

Today, the people of Panama are intensely pro-American. They believe in free enterprise. They believe in democracy. They have longstanding and close connections to the American people. The best way to guarantee the future security of the Panama Canal is to guarantee the success of Panamanian democracy.

D. U.S. Policy

1. Panamanian Perceptions of U.S. Policy

United States policy is of great interest and concern to all Panamanians because the United States is perceived to be a powerful, if not potentially dispositive influence in resolving the crisis.

The mere presence of the delegation in Panama became a political event of some conseqence for the opposition. The leaders of the Civic Crusade, for example, consciously organized public demonstrations to coincide with the delegation's visit and repeatedly urged delegation members to observe those demonstrations so that the delegation could see for itself the repressive measures being employed by the military. And when the delegation spontaneously decided to visit the closed La Prensa publishing plant, the mere presence of the delegation on the grounds of the plant sparked a spontaneous, "mini-demonstration" by passing motorists who honked their horns and waved white handkerchiefs.

But interest in the delegation's activities was not limited to the opposition. Government supporters also took every opportunity to convey their view of the situation. In fact, the delegation's plan to visit Panama -- and the purposes of its trip -- were well known in Panama long before the delegation actually arrived, and the contending parties appeared to view the delegation as a "target of opportunity" and had, it seemed, invested a good deal of time and energy preparing for their meetings with the delegation.

Opposition leaders were relentless and repetitive in their claims that the United States had created, fed and nurtured the PDF "monster" and now had a moral obligation to rid Panama of that monster. They expressed satisfaction with the actions taken by the Senate but simultaneously accused the United States

Government of "waffling" on the issue of Noriega. They manifested deep suspicion that the U.S. military and the U.S. intelligence community pursued "business as usual" with Noriega, despite actions by the Administration to distance the United States. Most recognized that Panama has to solve its own problems itself, but others urged the United States to intervene, claiming: "We cannot do it ourselves."

For its part, the government contends that U.S. policy has been counterproductive to the cause of democracy in Panama -- by fomenting a wave of anti-Americanism, generating class conflict and strengthening anti-democratic leftists.

But the delegation saw no evidence to support these allegations. On the contrary, although relations between U.S. Ambassador Arthur Davis and the Government of Panama may be frosty, no U.S. Ambassador in recent memory has been held in higher esteem by the people of Panama.

Nor is there any merit to the claim that U.S. policy has strengthened leftist forces and stirred up class conflict. (One experienced Panama watcher observed, "Panama is a country where the leftists are not in the hills; they are in the ministries.") It may be true, as one Panamanian opposition leader observed, that, in responding to the crisis, General Noriega has given more latitude to the more sectarian, Marxist-oriented elements within the military, but that is a conscious decision on Noriega's part, not a reaction by the people of Panama to U.S. policy.

Government spokesmen also allege that official U.S. statements are construed by the Civic Crusade as being supportive of the Crusade and prolong the crisis by giving the opposition hope that the United States will actively intervene and achieve the opposition's primary objective -- getting rid of Noriega -- without them having to negotiate with the government. There may be some truth to the criticism that the democratic forces of Panama look to the United States to cure all their ills. Surely there are those in Panama who cherish the illusion that one word to Noriega from the right person on a presidential mission from Washington, D.C. will bring about Noriega's rapid departure.

For all of the reasons set forth above, the United States, in formulating future policy, should take pains to make clear that (a) the crisis is a Panamanian problem that can only be solved by Panamanians, and (b) the United States favors respect for fundamental human rights and democratic values. U.S. support for these principles should not be seen as support for any particular opposition group or political party.

2. The U.S. Role

The single greatest challenge for U.S. policy is to promote the cause of democracy inside Panama without producing the kind of social conflagration that could rage out of control and result in a non-popular, anti-American, repressive government. The trick is to maintain pressure on the military without throwing gasoline on the fire.

Some American decision-makers believe that Noriega has survived the crisis, and whether we like it or not, we must learn to live with him. To challenge him directly, they say, is to court disaster. Those who adhere to this analysis argue for a course of action that would involve continuing to work with the Noriega government at the same time maintaining a public posture of support for democracy.

Others believe that the United States should learn the lessons of Batista in Cuba, Somoza in Nicaragua, the Shah in Iran and Marcos in the Philippines. One lesson to be drawn from those experiences is that the United States should be more concerned about who comes after a dictator goes and, rather than continuing to support an unpopular and repressive regime, the United States should associate itself with moderates in the opposition at the earliest possible opportunity. Those who adhere to this analysis would have the United States continue with the policy of putting as much space as possible between the United States and General Noriega.

The delegation believes that the course of action based on the first analysis is untenable. The United States cannot conduct business as usual with the government of General Noriega and remain on good terms with the democratic forces inside Panama or, for that matter, with the people of Panama.

The delegation is convinced that such a course of action would not serve U.S. interests. For the United States to allow itself again to be identified with a repressive and unpopular dictator can only result in a profoundly anti-American reaction in the long term. Indeed, a decision by the United States to continue to deal with General Noriega will prolong Panama's agony by prolonging General Noriega's tenure in office. The greatest American contribution to a resolution of the Panamanian crisis would be to use U.S. influence to hasten General Noriega's departure.

The delegation believes that the long term interests of the United States -- both with respect to the future security of the Panama Canal and with respect to a restoration of democracy and respect for human rights inside Panama -- are best served by a policy that is seen by all the people of Panama as providing strong and unswerving support for a rapid restoration of democracy to their country. The United States must not allow itself to be seen as being either the tacit supporter or the active guarantor of the Noriega regime if these long term interests are to be advanced and protected over time. For that reason, the United States should speak, as it always does, with many voices but articulating one policy: the indefinite presence of General Noriega as the Commander in Chief of the Panama Defense Forces is inconsistent with Panama's transition to civilian rule, inconsistent with the objective of holding free and fair elections in 1989, and inconsistent with the restoration of genuine democracy to the people of Panama.

In fact, the delegation believes that there is a consensus within the United States government that long-term stability in Panama requires genuine democratization and such a process cannot occur with Generál Noriega as Commander of the Panamanian Defense Forces. That consensus must now be translated into a vigorous and effective policy.

Based on its trip to Panama as well as its meetings with Panamanians in the United States, the delegation concludes that none of the conditions set forth in Senate Amendment 723 have been met since the Senate adopted that legislation on September 24, 1987. In short, Panama is still being run by a corrupt military; the appearance of democracy in Panama is not the reality; there is no sign that the Government of Panama has any intention of conducting any investigation into allegations of criminal wrong-doing and corruption among officers in the PDF; there is no freedom of the press in Panama today; and other constitutional rights, including due process, are still sharply limited.

For all these reasons, the delegation recommends that the Congress enact S. 1614 as amended and adopted by the Senate Foreign Relations Committee on November 19, 1987. That legislation, if adopted by Congress, will terminate all U.S. economic and military assistance to the Government of Panama and will suspend the sugar quota.

Under the terms of this legislation, the suspension on the sugar quota will be lifted if the President certifies that freedom of the press and other constitutional rights have been restored in Panama. To restore U.S. aid to the government of Panama, the President must certify that other, additional conditions be satisifed, including progress toward civilian government, an impartial commission to investigate allegations of crime and corruption, and mutual agreement on conditions for free and fair elections in 1989.

The delegation recommends that the United States should cut off all further contact with General Noriega. No American official -- civilian or military -- should do or say anything that could be interpreted as providing political approval or moral support to the Noriega regime.

The delegation also recommends that the United States in concert with other nations in the region should initiate a series of more positive initiatives aimed at achieving an immediate restoration of press freedom in Panama. While recognizing that the Panamanian crisis can only be solved by Panamanians, the United States should use its influence to support negotiations aimed at achieving an early departure of General Noriega from office, a genuine national reconciliation between the people of Panama and the Panamanian Defense Forces, and a restoration of democracy, respect for human rights and the rule of law inside Panama.

The American people are too close to the Panamanian people -- in geographic proximity, in shared political and economic interests, in common history and common aspirations, and in our hopes for the future -- for the United States to be silent or passive as the Panamanian crisis unfolds. In this Report, this delegation has attempted to chart a path for the United States which it believes will not only advance the cause of democracy inside Panama but which will also receive the sustained approval and support of the American people.

In signing this Report, the representative of Senator Helms wishes to call attention to her additional views which follow.

VI. SIGNATURES

Deborah De Moss	Gregory B. Craig
Randy Scheunemann	Al Cumming
Shawn Smeallie	Barry Sklar

VII. ADDITIONAL VIEWS OF DEBORAH DE MOSS

There is a broad consensus among all Senators in support of human rights and democracy in Panama. The representative of Senator Helms does not endorse the delegation's statements in regard to broad support for the Panama Canal Treaties. Panama's refusal to accept certain reservations passed by the U.S. Senate casts a cloud over the validity of the apparent exchange of the articles of ratification. Senator Helms is fully committed to the observation of all the requirements of international law with regard to the recognition and enforcement of treaties, and eagerly awaits for Panama to make a similar commitment.

PREPARED STATEMENT OF ROBERT M. MORGENTHAU

Mr. Chairman and members of the Senate Foreign Relations Committee. I thank you for inviting me to testify before you on the subject of illegal drugs.

I hope to make three points this morning: First, that drugs are not a victimless crime but a national pestilence; second, that despite our considerable efforts at the local level, the war on drugs is not being won; and third, that it will not be won without significant action on the part of the federal government. Help must come not only from the Justice Department, the Customs

Service, and the Coast Guard, but from the State Department and perhaps even the Defense Department -- and it must come soon.

I.

Among the principal evils of illegal drugs are these:

-- First, and most obvious, drugs kill and destroy lives. In the past five years, cocaine-related deaths have increased nationwide by 500 per cent, and heroin-related deaths have increased 64 percent. Horror stories abound: Last year, a young man tried to jump off the Brooklyn Bridge; he was depressed after he sold his mother's VCR to support his crack habit. Shortly thereafter, another young man fatally stabbed his mother when she objected to his use of crack. Just this past month, a principal ballet dancer in one of New York City's leading companies was found dead in his apartment, a victim of cocaine abuse. Drugs do not discriminate. They destroy lives in every racial and socioeconomic group in our society.

-- Drugs are also a prime cause of crime. Just two weeks ago, newspaper headlines announced the "unexpected" news that according to a new Justice Department study, one-half to three-quarters of the men arrested for serious crimes in 12 major cities had tested positive for the recent use of illegal drugs. For those of us in law enforcement in New York City, the story was old news. A 1984 study of arrestees in Manhattan showed that 56 percent of those arrested for serious crimes were abusing cocaine, heroin, or methadone, or PCP prior to their arrest. A second study, conducted in 1986, showed an even higher correlation: 78 percent of arrestees tested positive for illegal use; for those charged with robbery, the figure was 90 percent. Studies also show that individual crime rates are six to eight times higher when an individual is abusing drugs than when he is relatively drug free. In Manhattan last month, we saw dramatic evidence of drug-related crime: a 17 year-old was arrested after an 8-day, 11-robbery crime spree in which he murdered 5 innocent people and wounded 6 others. After his arrest, the young man confessed that he had committed the robberies to support his crack habit.

-- Drugs are also a major cause of infant fatalities and birth defects. A recent study of 95 children who died before the age of five showed that in three quarters of the cases, at least one of the parents was abusing drugs. In 1987, in New York's Harlem Hospital -- one of the few hospitals in New York State to keep detailed figures -- some 400 babies tested positive for drugs at birth. Again, statistics alone do not capture the full story. Each week, Assistants in our Domestic Violence Unit receive reports of child deaths. Baby Le'Nore is a typical case. She died last year at age 5 days; her urine was positive for heroin; her mother, a heroin addict. The cause of death was listed as escherichia coli sepsis. Sepsis means a poisoning of the blood system, which is an apt description for what had occurred.

-- Drugs are also a contributory factor in child abuse cases. This year, my Office will prosecute Joel Steinberg for the murder of six-year-old Elizabeth, his illegally adopted daughter in a case that has attracted national attention. I would note only what has already been reported in the press: that a search of the Steinberg home after his arrest uncovered cocaine, heroin, and marijuana, as well as two large bottles of ether, a substance used in free-basing cocaine.

-- The past few years have added a new evil to those associated with drug abuse: AIDS. The National Institute of Drug Abuse estimates that of the 1.2 million intravenous drug users, 250,000 are infected with the AIDS virus. Among women with AIDS, 80 percent are IV-drug users or have sexual partners who are IV-drug users. And, once again, the abuses of parents are visited upon their children: 80 percent of babies born with AIDS are children of IV-drug users.

-- Drugs also destroy the quality of life in our neighborhoods. Here is a portion of a letter I received last year from a woman in Manhattan:

> Drug sales and drug addicts doing cocaine are seen 24 hours a day in at least six buildings in our block and in the street. There have been muggings and other violence. Master keys to our buildings are being sold on the street corner. We are under seige. Please help us.

Whenever I speak to community groups, their first concern is not murder or rape, but drug trafficking. Parents rightly fear that their children will sacrifice productive lives for the rush of heroin or the high of cocaine, or that they will abandon their education for the quick riches associated with the drug trade. It is no wonder that every prominent minority leader, without exception, views narcotics as an unalloyed evil and proposals to legalize narcotics as tantamount to a racist plot.

II.

Let me turn now to what we in local law enforcement are doing to wage war on illegal drugs. Here are the statistics: In 1984, 20,323 persons were arrested in New York City on felony drug charges. This past year, the number of felony arrests rose to more than 34,000 -- an increase of 67 percent. During the same period, felony drug convictions rose from 4,202 to 13,466, a 221 percent increase. Commitments of drug offenders to New York State prisons increased from 1,376 in 1984 to 4,089 in 1987, a 197 percent increase, and many thousand more received local jail sentences. That figure -- 4,089 defendants committed to state prison from New York City for drug offenses -- is 20 percent more than the total number of defendants from all 50 states committed to federal prisons for narcotics offenses during the same period.

The increase in arrests, convictions, and state-jail time reflects more than just increased street-level "buy and bust" operations. We are pouring far more resources into investigative efforts aimed at dismantling large-scale drug enterprises. In

1984, our special narcotics prosecutors drew up 199 search warrants; last year the number was 628, a 215 percent increase. Wiretaps are up from 16 in 1984 to 49 last year, a 206 percent increase. Most dramatic are the statistics for seizures in narcotic cases: in 1985, the first year in which statistics were kept, 131.1 kilograms of cocaine were seized; last year, the figure was 904.3 kilograms, a 590 percent increase.

All of this is to say that those of us in state and local government in New York City are doing our jobs. We are putting more people in jail for longer terms than ever before. But despite our efforts, there are more drugs entering New York City than ever before. Price statistics are an especially good indicator of supply conditions: In 1985, a kilogram of cocaine cost $30,000 on the streets of Manhattan; this year, our undercover officers are buying a kilogram for less than $20,000.

Plainly, local law enforcement cannot do the job alone. We do not have the constitutional powers, let alone the resources, to reduce significantly the importation of drugs. We cannot close the Mexican border or negotiate with Colombia. Indeed, it would violate the Logan Act were we to try. To rely principally upon local enforcement efforts is tantamount to telling citizens in towns along the Mississippi -- who cannot constitutionally interfere with the course of the Mississippi River -- that the Army Corps of Engineers will not build levees to contain the river. The citizens must mop up the overflow themselves. As local law enforcement officials, we are "mopping up" the sea of narcotics that inundates us daily.

Let me make the same point in a different fashion. In preparing for my testimony, I spoke with Julio Martinez, who is in charge of treatment programs in New York State. Mr. Martinez compared his role to that of the Red Cross: it is his job to tend to the casualties of a war that is beyond his power to control.

III.

I recognize that I am not the first local government official to complain to a Congressional Committee that the federal government is not doing enough. When the subject is drugs, however, the complaint has merit, for the simple reason that the federal war on drugs has been long on rhetoric and short on substance.

You may recall the rhetoric. In signing the Anti Drug Abuse Act of 1986, the President promised the "total commitment of the American people and their Government to fight the evil of drugs." "Our goal," it was proclaimed, was "nothing less than a drug-free operation." Drug use was "too costly for us not to do everything in our power not just to fight it, but to subdue it and conquer it."

Here is the recent reality. The President's proposed 1988 budget called for significant reductions in every category related to the drug problem. Funds for the Customs Service to interdict drugs were to be cut 23 percent; expenditures for drug education, 36 percent; monies for essential and underfunded treatment programs, 46 percent; funds for state and local law enforcement efforts were to be cut entirely, from the $225 million allocated in 1987 to $0 in 1988.

Fortunately, the Congress declined to enact these budget cuts: the Continuing Resolution restored most of the monies that the Administration sought to take away. There was, however, one area of significant reduction: funding for state and local law enforcement. Our funds are slashed from the $225 million allocated in 1987 to $75 million in 1988. I would be more angered by this unkind cut if any of the money allocated to New York City under the 1986 Act had reached us. So far none has. The funds are still tied up in red tape and bureaucratic lethargy.

* * *

Our failure to match our words with actions is evident in the international arena as well. In 1983, Congress enacted the Rangel-Gilman-Hawkins Amendment, which requires the State Department annually to report on the efforts of major drug exporting countries to curtail production. If a country fails to make "maximum feasible efforts" at curtailment, the sanction is loss of economic aid. Last March, the State Department reported to the President pursuant to the Act. The report, not surprisingly, was sharply critical of many countries, but only three were identified for sanctions: Afghanistan, Iran, and Syria, none of which received any economic aid from us to begin with. The report may have been amusing to officials in those nations, but it was a not a laughing matter for those of us in law enforcement.

* * *

If more proof of our failings is necessary, consider this interchange taken from Congressional hearings held on December 8, 1987. The questioner is Congressman Charles Rangel of New York City, who has dedicated himself to the fight against drugs. The answer comes from Assistant Treasury Secretary Frank Keating, Acting Chairman of the Administration's Drug Law Enforcement Coordination Group.

> Question: Is there one ounce less of heroin, opium, cocaine, or marijuana on the street [this year as compared to last]?
>
> Answer: No.

Mr. Keating's candor is to be appreciated; if nothing else, he has learned to "Just Say No." But it can hardly be comforting to the citizens of this country to learn that one year after declaring war on drugs, we are no better off than before.

These criticisms should not be taken as the partisan sniping of a New York City Democrat. Rather, they reflect the accumulated frustration of a New York City District Attorney. The sad truth is that the present Administration inherited a staggering drug problem from its predecessor, which never came to grips with the problem. Our failure has been a bipartisan failure.

IV.

What is to be done? I don't claim to have a panacea. Of one thing, however, I am sure: without bold federal action, drugs will continue to inundate us. Those of us in local government will continue to "mop up" the overflow and to "patch up" the victims, but the underlying problem will not be solved.

Drugs must become a foreign policy issue. We must recognize that Mexican "black tar" and Colombian "white powder" pose as grave a threat to our nation's well being as Nicaraguan or Cuban "reds." Indeed, our problem would be far less acute if a fraction of the energies devoted to funding the contras went to defunding the drug cartels that are increasingly dominating the lives of our Latin American neighbors.

Drug money is literally pouring into Latin America. If one assumes (i) that 300 metric tons of cocaine were produced for distribution in the United States last year (DEA estimate); (ii) that 75 percent of the cocaine comes from Colombia and 15 percent from Bolivia (DEA estimate); and (iii) that cocaine sells for approximately $20,000 a kilogram, one can make a rough estimate of our drug payments to those nations. My calculation shows $4.5 billion in "drug payments" to Colombia and $900 million dollars to Bolivia last year. Legal assistance to those countries -- $11.5 million to Colombia and $71.7 million to Bolivia -- pales in comparison.

Giving billions of dollars to drug barons may be someone's idea of a contemporary Marshall Plan, but not mine. Drug money is destroying the social fabric of our Latin American neighbors. Colombia has lost 12 Supreme Court Justices and an Attorney General to the bullets of the Medellin Cartel. Cocaine barons are building homes and providing welfare to the poor in order to ingratiate themselves with law-abiding people. Corruption is rampant in Colombia, Mexico, Bolivia, and at the highest levels of government in Panama. In Colombia, our drug dollars are helping to finance a leftist organization, M-19, which seeks to overthrow the government of that nation.

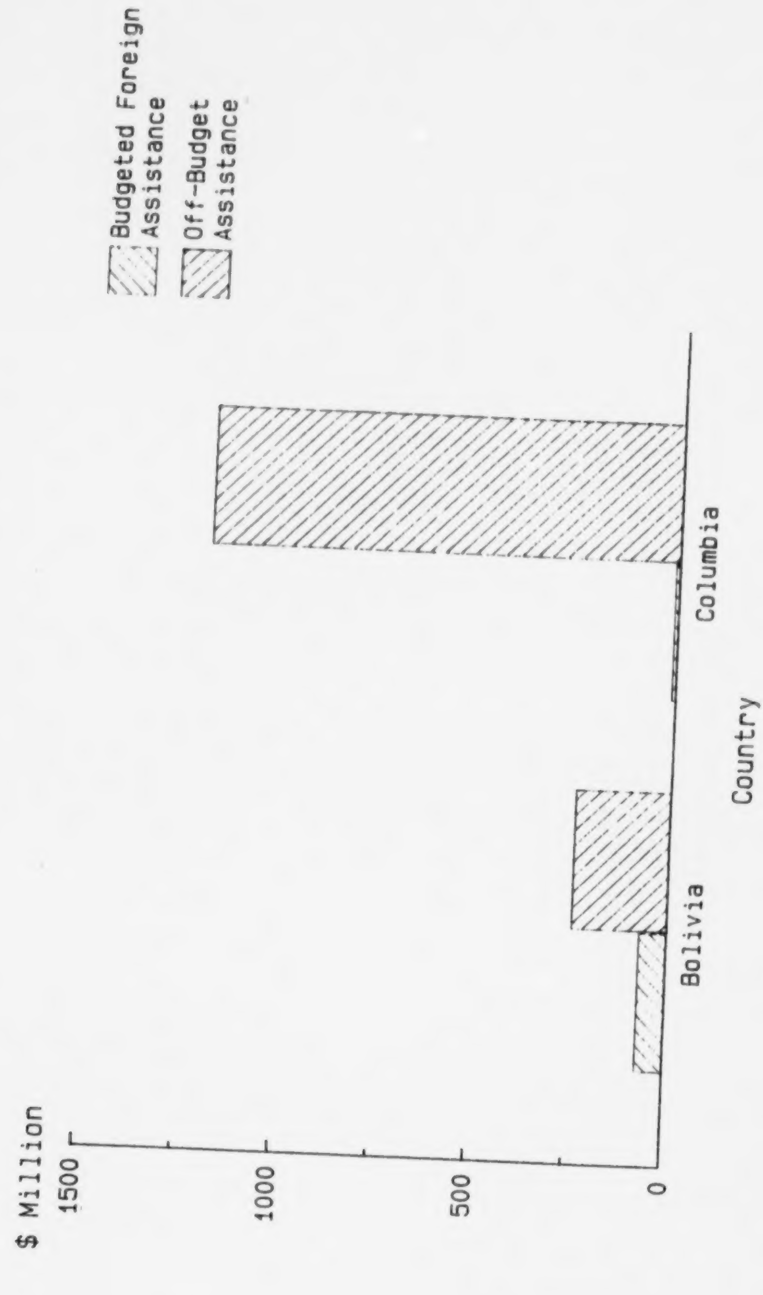
I recently had an opportunity to speak with a security consultant for one of our major airlines who had just returned from Bolivia. He told me of his conversation with a senior Bolivian Customs official. After bemoaning the widespread corruption that exists in his country, the official explained why it is so: The drug dealers, he said, offer you $2,000 or two bullets in the head; most people take the money. The story recalls the observations of the British philospher John Locke that "where there is no law, there is no freedom." Law is vanishing and freedom is in jeopardy in the countries cursed by the flow of dirty dollars from the drug trade, and we are doing far too little about it.

Let me hasten to add that the problem is not just a regional one. Increasingly the heroin that we are seizing on the streets of Manhattan is imported from Asia by Chinese gangs. The nation's highest quality hashish is grown in the strategically important Bekaa Valley and smuggled through Lebanese ports. If the war on narcotics is to succeed, we must muster all our foreign policy skills to persuade the world's exporting nations to control the production and distribution of illegal drugs. We must work with them to fight the drug traffickers, who are our common enemy.

V.

The Constitution tells us that the federal union was formed to "insure domestic tranquility." Our founding fathers did not take domestic tranquility to mean a heroin nod or a cocaine high. Their concern was that the people be safe in their homes and their daily lives to enjoy the blessings of our democracy. That must be our concern. I hope that these hearings will dramatize the dimensions of the narcotics problem we face, and the need for greater federal initiatives. I thank you again for inviting me to share my views with you this morning.

AID TO OUR LATIN NEIGHBORS



Prepared by New York County District Attorney

LETTER FROM JOHN C. LAWN

MAY 27 1987

General Manuel Antonio Noriega
Commander-in-Chief
Panamanian Defense Forces
Republic of Panama

Dear General Noriega:

Once again the United States Drug Enforcement Administration and the enforcement authorities of the Republic of Panama have joined efforts to strike an effective blow against the drug traffickers who plague us all. As you know, the recently concluded Operation Pisces was enormously successful: many millions of dollars and many thousands of pounds of drugs have been taken from the drug traffickers and international money launderers.

Your personal commitment to Operation Pisces and the competent, professional, and tireless efforts of other officials in the Republic of Panama were essential to the final positive outcome of this investigation. Drug traffickers around the world are now on notice that the proceeds and profits of their illegal ventures are not welcome in Panama.

In particular, I would like to thank your Attorney General, Mr. Carlos Villalaz, and Director-General Nivaldo Madrinan of the DENI, who directed the operations on May 6 which led to the freezing of millions of dollars in trafficker bank accounts in Panama and the seizure of banking records which will provide enforcement authorities with insight into the operations of drug traffickers and money launderers. Also integral to the success of Operation Pisces was Panamanian Defense Forces Captain Luis Quiel, Chief of the Office of International Liaison and Coordination. Captain Quiel worked closely with our agents in Panama, Miami, Washington, and Los Angeles, and was instrumental in both the planning and operational phases of the investigation.

I look forward to our continued efforts together. DEA has long welcomed our close association and we stand ready to proceed jointly against international drug traffickers whenever the opportunity arises.

Sincerely,

John C. Lawn

John C. Lawn
Administrator

LETTER FROM JOHN E. OTTO

August 24, 1987

Honorable Carlos Villalaz
Attorney General of Panama
Panama 1, Republic of Panama

Dear Mr. Attorney General:

I would like to take this opportunity to thank you for the assistance and cooperation you provided to the Federal Burea of Investigation (FBI) during a major drug investigation entitle " .shweb/Expressway." A great deal of our success in this case was due in no small part to you and your staff.

It is only through this type of international cooperation and effort that significant achievements can be mad in curbing the proliferation of drug trafficking. The professionalism and expertise you showed in the handling of thi complex and sensitive investigation are indeed praiseworthy. W look forward to the time when the FBI and your country will onc again work in a spirit of cooperation.

Sincerely yours,

John E. Otto
Acting Director

LETTER FROM FRANCIS M. MULLEN, JR.

MAR 16 1984

General Manuel Noriega
Jefatura Guardia Nacional
República de Panama
E. S. D.

Dear General Noriega:

I was very pleased that we had the opportunity to get together while I was in Panama last month. The matter of drug-related financial investigations is a very high priority in the United States. I believe that real progress is being made with regard to the bilateral exchange of financial information and I hope that we soon have a treaty that is mutually acceptable.

Your long-standing support of the Drug Enforcement Administration is greatly appreciated. Country Attache Bramble has advised me of no small number of instances in which you have lent your personal support. It is very meaningful to us.

Thank you very much for the autographed photograph. I have had it framed and it is proudly displayed in my office.

I hope to be able soon to reciprocate your gracious hospitality. Best regards.

Sincerely,

Bud Mullen

Francis M. Mullen, Jr.
Administrator

LETTER FROM JOHN C. LAWN

MAY 8 1986

General Manuel Antonio Noriega
Commander in Chief
Panama Defense Forces
Panama, Republic of Panama

Dear General Noriega:

In accordance with our conversation on April 23 of this year at the IDEC Conference in Buenos Aires, I am pleased to send you a copy of the statement made recently before the United States Senate Foreign Relations Subcommittee on Western Hemisphere Affairs by Mr. Raymond J. McKinnon of the Drug Enforcement Administration.

I would like to take this opportunity to reiterate my deep appreciation for the vigorous anti-drug trafficking policy that you have adopted, which is reflected in the numerous expulsions from Panama of accused traffickers, the large seizures of cocaine and precursor chemicals that have occurred in Panama and the eradication of marijuana cultivations in Panamanian territory.

Regarding the question of attacking the profits accumulated by drug traffickers, I look forward to the day when all governments develop the means to systematically identify and seize those illegal profits and drug trafficking starts becoming a self-defeating enterprise. While our respective governments currently hold different views on the question of investigating drug related finances, I am confident that continued study of the matter will help us find procedures that will be beneficial to all governments.

It was a pleasure having the opportunity to visit with you personally in Buenos Aires.

Sincerely,

John C. Lawn
John C. Lawn
Administrator

LETTER FROM ARTHUR M. SEDILLO

10 MAY 1979

DEA-05-#6

TENIENTE CORONEL
MANUEL A. NORIEGA
GUARDIA NACIONAL
E. S. D.

CORONEL NORIEGA:

RECIBIDO JUN - 1 1979

IT GIVES ME GREAT PLEASURE TO PASS THE ATTACHED CABLE FROM OUR ADMINISTRATOR, MR. PETER BENSINGER, CONGRATULATING YOU AND THE PANAMANIAN GOVERNMENT FOR AN OUTSTANDING DRUG ENFORCEMENT EFFORT AGAINST THIS HIGH LEVEL INTERNATIONAL TRAFFICKING ORGANIZATION. PERMIT ME TO ADD MY CONGRATULATIONS. MY ASSIGNMENT AT THIS POST HAS BEEN ONE OF MY MOST GRATIFYING PROFESSIONAL AND PERSONAL EXPERIENCES. THE FRIENDSHIP AND PROFESSIONAL ASSISTANCE GIVEN TO OUR OFFICE IS VERY MUCH APPRECIATED.

SINCERELY,

Arthur M. Sedillo
ARTHUR M. SEDILLO
SPECIAL AGENT IN CHARGE
DRUG ENFORCEMENT ADMINISTRATION

TELEGRAM FROM DRUG ENFORCEMENT ADMINISTRATION HEADQUARTERS

DEA 13251

VV DH0541
RR RUEHZP
DE RUEHNA #3251 1300453
ZNY CCCCC
R 061632Z MAY 79
FM DEA HEADQUARTERS WASHINGTON DC
TO AMEMBASSY PANAMA
BT

10 MAY
TOR: [illegible]
CN: 17[illegible]
ACTION:
INFO:

DEA 13251

AMEMBASSY FOR DEA

ATTN: SAIC SEDILLO

SUBJ: ZC-79-0010, DA5-C1

6-10-79

PDO IS REQUESTED TO PASS FOLLOWING TO COL NORIEGA: THE ADMINISTRATOR EXTENDS HIS PERSONAL CONGRATULATIONS TO COL. NORIEGA AND PANAMANIAN AUTHORITIES ON THE 200 LB. COCAINE SEIZURE IN THIS CASE. NOT ONLY IS THIS AN IMPRESSIVE SEIZURE, BUT THE FOLLOW-UP INVESTIGATIVE WORK WILL VERY LIKELY RESULT IN A CONSPIRACY PROSECUTION AGAINST A HIGH-LEVEL GROUP OF INTERNATIONAL DRUG TRAFFICKERS. THE ADMINISTRATOR WISHES TO THANK COL. NORIEGA AND GOP FOR THEIR COOPERATION IN THIS INVESTIGATION AND WISHES THEM CONTINUED SUCCESS IN THE FUTURE.

DECONTROL UPON RECEIPT BY DEA ONLY.

KIMAN/EKA
CC: A ADX
BT
#3251

NNNN

DEA 13251

LETTERS FROM PETER B. BENSINGER

OCT 2 1978

RECIBIDO OCT 10 1978

Lt. Col. Manuel A. Noriega
Chief of G-2 High General Staff
National Guard
Republic of Panama

Dear Colonel Noriega:

I appreciate your letter dated August 23, 1978, to the Drug Enforcement Administration (DEA) regarding the seizure of the Colombian vessel "MIGRANA."

Through the close cooperative efforts of our respective offices, we will have a noticeable impact on the illicit drug traffic. I look forward to the successes these efforts are certain to bring.

Sincerely,

Best Personal Regards-

Peter Bensinger

Peter B. Bensinger
Administrator

DEC 14 1978

Teniente Coronel Manuel Antonio Noriega
Commandante De G-2 Del Estado
Mayor de la Guardia Nactional de La
Republica de Panama

Dear Colonel Noriega:

As the New Year approaches, I want you to know that the Drug Enforcement Administration very much appreciates all of the support and cooperation which you have extended to our agency during the last year.

The professionalism of your agency is well respected by us, as is your leadership.

Please know my colleagues join me in wishing you well and thanking you for the excellent efforts which have contributed substantially to the ongoing battle against drugs which the international law enforcement community is embarked upon.

My very best regards and best wishes for a very happy and successful New Year.

Sincerely,

Peter B. Bensinger

Peter B. Bensinger
Administrator

The Honorable
Robert Dole
United States Senate
Washington, D.C. 20510

ARCHIVADO ENE. 2 1978

[illegible] ENE 11 1978

Dear Senator Dole:

The purpose of this letter is to respond to the express request of the Chief of the Panamanian National Guard that I advise you concerning cooperation between DEA and Panamanian authorities regarding drug investigations.

Good cooperation does exist between DEA and the Panamanian National Guard. We have been informed by

Colonel Noriega that he has strict instructions from General Torrijos to continue this effort of cooperation. The DEA office in Panama and the Office of G-2 in bilateral enforcement efforts have interdicted several large drug shipments in Panama which were en route to the United States. Moreover, many persons have been arrested as a result of those mutual efforts and other persons suspected of drug trafficking have been expelled from Panama to the United States.

During these cooperative efforts there have been no incidents or allegations concerning any human rights violations called to our attention.

Sincerely,

Peter B. Bensinger
Administrator

MAY 5 PRESS RELEASE

Attorney General Edwin Meese III today announced that three of the top leaders of the Medillin cocaine trafficking cartel in Colombia, who operated two massive drug rings in the United States, have been captured at the successful conclusion of a three-year undercover money-laundering operation carried out by the Drug Enforcement Administration (DEA).

"This is the largest and most successful undercover investigation in federal drug law enforcement history. The results are unprecedented," Meese said.

"The undercover investigation, given the code name of Operation Pisces, penetrated the very highest level of the Medillin Cartel, which effectively controls cocaine trafficking in Colombia and other parts of Central America," Meese said.

"A total of 118 members of the two coast-to-coast drug rings and other drug and money laundering groups have been charged today in 17 indictments and 30 complaints unsealed in Los Angeles, Miami, and New York City," Meese said.

"Operating under tight security, the investigation enabled authorities during the past three years to make nearly 300 arrests prior to today, to seize more than 18,000 pounds of cocaine with a wholesale value of $270 million, and to seize $47 million in cash and other assets," Meese said.

Meese said one of the Colombian drug kingpins, Jose Auli Lopez-Chacon, 37, of Bogota, Colombia, was arrested by DEA agents after flying from Colombia to Miami, where he had been lured by the undercover personnel.

Two other Colombian drug kingpins, Hugo Obando-Ochoa, 40, and Anibal Zapata, 41, both of Medellin, Colombia, were taken into custody by DEA agents in Panama after being expelled by Panamanian authorities for illegally entering that nation, Meese said. Both were flown to Miami to be arraigned.

Meese said that two other leading members of the Medellin Cartel also were among those indicted today: Pablo Emilio Escobar-Gaviria, 38, of Medillin, and Fabio Ochoa-Restrepo, 63, of Cali, Colombia. Both are fugitives.

Another accused leader of the cartel, Carlos Lehder, was extradited from Colombia earlier this year and is in custody awaiting trial in Florida on federal drug charges.

"We believe that the arrests and indictments of these top leaders of the Medillin Cartel, the arrests of hundreds of other key trafficking figures, the seizure of vast amounts of drugs, the disruption of trafficking networks, and the suspicion sown among the highest echelons of the illegal drug trade will have a significant impact on cocaine trafficking," Meese said.

The two drug trafficking rings were involved in every facet of the cocaine business: their laboratories and factories in Colombia produced the cocaine; they flew the drugs from Colombia to the U.S. in their own planes; they set up the trafficking apparatus within this country; and they collected the money and used various means to launder it and send it out of the U.S.

The indictments said the Lopez-Chacon ring imported cocaine to Miami, Los Angeles, and New York. The ring headed by Obando-Ochoa and Zapata smuggled its cocaine into the Los Angeles area.

Meese said five of the defendants were charged with conducting a continuing criminal enterprise (CCE) under a new provision of the law that carries upon conviction a mandatory sentence of life in prison. They include Lopez-Chacon, Obando-Ochoa, and Zapata, and two of their key subordinates, Alphonso Reyes, 35, and Luis Eduardo Orosco, 36, both of Bogota.

"DEA deserves the highest commendation for carrying out this complex, dangerous assignment," Meese said. "For three years, under the leadership of Administrator Jack Lawn, DEA personnel have worked tirelessly and without regard for their personal safety to successfully conclude the undercover investigation.

"This case also represents a major achievement for the Organized Crime Drug Enforcement Task Force Program, which focuses all available federal resources against major drug rings, drug kingpins, and money launderers," Meese said.

"It clearly shows that the strategies developed by the Reagan Administration are working. Reduction of drug abuse is and will continue to be an absolute priority," Meese said.

Meese said that three United States Attorneys had important roles in the case: Robert C. Bonner of Los Angeles, Leon B. Kellner of Miami, and Rudolph W. Giuliani of Manhattan.

The Department's Criminal Division, headed by Assistant Attorney General William Weld, and its Narcotic and Dangerous Drug Section also made key contributions, Meese said.

The undercover operation began in 1984 when DEA agents began posing as money launderers in an effort to get inside drug trafficking operations. The DEA agents were first approached by a high-level drug trafficker asking for help in obtaining repairs for an airplane used in cocaine smuggling flights.

The undercover agents said they were not in that line of work but rather in money laundering. The trafficker left but returned a short time later and asked the DEA agents to begin laundering cocaine funds for him.

The existence of the money-laundering operation spread by word-of-mouth through cocaine trafficking circles. Walk-in business began to develop as the undercover network was approached by cocaine traffickers and drug financiers.

DEA set up its money laundering business with exceptional care to avoid detection by the traffickers, creating shell companies and opening bank accounts in countries around the world.

As major cocaine traffickers began to rely heavily on the undercover operation to launder large amounts of money, the agents used this growing business as a device to carefully work their way up to the highest levels of the trafficking rings.

The importance of the drug rings is shown by their scale of operations: Up to 2,000 pounds of cocaine were brought into the country in a single shipment; It was common for traffickers to give the undercover agents $1.5 million at a time to launder.

"The undercover operation worked so well that the DEA agents were able to use major traffickers in Colombia as business references when they were approached by other traffickers conducting background checks before they asked the agents to launder their money," Meese said.

"Over a period of time, the agents were able to get an invaluable inside view of the cocaine trafficking rings, a view of the entire trafficking structure," Meese said.

"This case demonstrates again the validity of the government's strategy to commit resources to long-term investigations designed to dismantle the entire structure of major drug trafficking rings," Meese said. "This kind of investigation requires time but yields immense results."

The undercover agents set up secret television cameras at their money-laundering offices and video-taped scores of transactions and conversations with the drug traffickers. Traffickers not only asked the agents to launder money but also sought their views on smuggling routes and equipment.

The undercover operation placed great emphasis on seizure of cocaine and drug-related assets through this strategy:

When the undercover agents were involved in a money laundering transaction with traffickers, DEA would alert cooperating local police departments. Teams of DEA agents and police would follow the traffickers until they were eventually led to caches of cocaine or money.

The police department would then stage a raid and seize the cocaine or cash, making it appear that the raid was either the result of a chance discovery or a purely local investigation.

"This strategy worked so well during the three years that nearly 300 arrests were made and more than nine tons of cocaine seized without the operation being exposed," Meese said.

"Special credit goes to the Los Angeles Police Department, which assigned some 70 officers to Operation Pisces and made an invaluable contribution to the investigation," Meese said.

The five largest seizures of cocaine in California history took place during Operation Pisces, including one of 1,900 pounds in the Los Angeles area in April 1986.

In order to further divert suspicion, the undercover operation laundered $107 million in drug profits and sent the money on to bank accounts set up by the traffickers in Panama.

Meese said that authorities in Panama today seized the bank accounts. "We are very grateful to the Panamanian authorities for their outstanding work. Their actions send a clear signal to drug traffickers that, under its new anti-money laundering statute, Panama will not tolerate these activities by drug traffickers," Meese said.

Meese said that the DEA agents sent the drug trafficking money to the accounts in Panama to give credibility to the undercover laundering operation.

"In return, the government was able to arrest leaders of the highest echelon of the Medillin Cartel, make hundreds of other arrests, seize nine tons of cocaine, and seize $32 million in cash and $15 million in other drug assets," Meese said.

The undercover agents retained about $3 million in drug money as their "commissions" for the laundering, and these funds offset a large share of the investigation's cost.

In addition to the two large drug rings, the undercover operation also penetrated a number of other smaller or related trafficking and money laundering operations reflected in the 17 indictments and 30 complaints unsealed today. They allege CCE, drug trafficking, conspiracy, and money laundering violations.

As the undercover operation won the confidence of the rings, drug traffickers began asking agents for help on related matters.

In one instance, a trafficker needed to purchase a helicopter to visit his cocaine operations in the Colombian jungles. The DEA agents, using the trafficker's money, purchased a new helicopter for $800,000 and had it secretly outfitted to meet DEA law enforcement needs.

It was seized before the trafficker could put it into operation, and through a ruse the trafficker never suspected it was part of a sting operation. DEA is now using the helicopter to track down other traffickers.

In addition to the helicopter, seizures include 14 airplanes, 87 automobiles, a boat, 21 firearms, 5,600 pounds of hashish, and nearly 700 grams of heroin.

Other California police departments taking part in the investigation include Glendale, Torrance, Simi Valley, West Covina, Newport Beach, Montebello, Pasadena, and Anaheim. Other agencies participating include the California State Bureau of Narcotics Enforcement, the Los Angeles County District Attorney's Office, the Orange County District Attorney's Office in California, the Orange County Sheriff's Department, and the Metro-Dade Police Department in Florida.

RAMON MILIAN RODRIGUEZ RECORDS OF COMPANIES

JUNE

Name of the corporation: CAMBIOS MONETARIOS INTERNACIONAL S.A.

Date of constitution: 7 June 1979.

References: RAMON MILIAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

JULY

Name of the corporation: AKABA INVESTMENTS, S.A.

Date of constitution: 3 July 1979/

References: FELIPE MESA; ANICIA MESA; LUIS RODRIGUEZ; RAMON MILIAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of the corporation: (illegible) INVESTMENTS S.A.

Date of constitution: 3 July 1979

References: ADOLFO SOLIS; GEORGETTE SOLIS; RAMON MILIAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

****

Name of the corporation: KHARGEN INVESTMENTS S.A.

Date of constitution: 5 July 1979

References: JORGE ABISLAIMAN; A AVEDANO; RAMON MILIAN RODORIGUEZ

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

AUGUST

Note: No corporation was established during the month of August.

****

SEPTEMBER

Name of corporation: MULTIRELACIONES DE VENTAS S.A.

Date of constitution: 6 Sptember 1979.

References: JOSE PUBILLONES; JUAN MACIAS; CARLOS FERNANDEZ; CARLOS BENGOCHEA.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of corporation: AHUD HAMED INVESTMENTS, S.A.

Date of constitution: 28 September 1979

References: ROGELIO LAUREDO

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled (in ink)

1981:

****

Name of corporation: KHURASAN INVESTMENT S.A.

Date of constitution: 28 September 1979

References: ROGELIO LAUREDO

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled (in ink)

1981:

****

Name of corporation: ASUAN INVESTMENTS S.A.

Date of constitution: 28 September 1979.

References: ROGELIO LAUREDO.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled (in ink)

1981:

****

Name of corporation: (Illegible) INVESTMENTS, S. A.

Date of consitution: 28 September 1979.

References: ROGELIO LAUREDO; JUAN PEREZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled (in ink)

1981:

****

Name of corporation: HYPERION MORGAGE [sic] AND INVESTMENT CO. S.A.

Date of constitution: 28 September 1979.

References: BRAULIO VILA; RAMON MILIAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled (in ink)

1981:

Note: This corporation was not established by the firm Fernandez Lora Abogados, afterwards it changed Resident Agent.

****

OCTOBER

Name of the corporation: SANJAK INVESTMENTS S.A.

Date of constitution: 19 October 1979.

References: JUAN J. CASTELLANOS; ELENA MONTIEL; ELISA MONTIEL; DANIA CASA.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

NOVEMBER

Name of corporation: KARACHI INTERNATIONAL S.A.

Date of Constitution: 1 November 1979.

References: A. SOTO; RAMON MIL IAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

****

Name of corporation: FARUKAFRA HOLDINGS S.A.

Date of constitution: 13 November 1979.

References: TERESA FERNANDEZ; UBALDO FERNANDEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

****

Name of the corporation: ALHAQUEN HOLDINGS S.A.

Date of constitution: 27 November 1979.

References: CARLOS A. SOTO; ARTURO HERNANDEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

****

Name of corporation: (Illegible) INVESTMENTS, S.A.

Date of constitution: 27 November 1979.

Reference: CARLOS MART__; FELIPE FERNANDEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

****

Name of corporation: ___ AHOREMUSA HOLDINGS S.A.

Date of constitution: 30 November 1979.

References: GILBERTO MARTINEZ; LUIS RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

DECEMBER

Name of the corporation: INVERSIONES PAVE S.A.

Date of constitution: 6 December 1979

References: ROGELIO LAUREDO

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

Note: This corporation was not established by the firm Fernandez Lara Abogados, later the Resident Agent was changed.

****

Name of corporation: GIORGIOSCOPULI INTERNATIONAL S.A.

Date of constitution: 10 December 1978.

References: EDUARDO MACHIN; REINALDO TORRENTE.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

****

Name of corporation: DIKNAXOS HOLDINGS INTERNATIONAL, S.A.

Date of constitution: 10 December 1979.

References: CARLOS A SOTO; OSVALDO HERNANDEZ; MARCELINO HERNANDEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

****

Name of corporation: WONG FAT CHIN FARMS S.A.

Date of constitution: 12 December 1979.

References: CARLOS A. SOTO; UBALDO FERNANDEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980:

1981:

Translated from the Spanish original into English by John B. Anderson, Certified Court Interpreter.
Miami, 25 August 1985.

JB Anderson

MIAMI, FL

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                                                                15:34:36   6/17/1987
DOCUMENT     [illegible] INVOLUNTARILY DISSOLVED. FOR PROFIT
REG [illegible]                                                 A01
NAME         CAMBIOS MONETARIOS INTERNACIONAL, S.A.
ADDRESS      % RAMON MILIAN-RODRIGUEZ
             2852 SHIPPING AVE.
             COCONUT GROVE, FL.                  33131
PAID ON $10,000.00
OFFICERS/DIRECTORS:
 P/D   COHEN, LINCOLN L.        AVE. SAMUEL LEWIS        PISO, PANAMA
 S/D   LARA, RAFAEL FERNANDEZ   CALLE 1, CASA #17        EL CANGREJO, PANAMA
 T/D   COHEN, JORGE AURELIO     AVE. SAMUEL LEWIS        PISO, PANAMA
REG. AGENT   MILIAN-RODRIGUEZ, RAMON
             2852 SHIPPING AVE.
             COCONUT GROVE, FL.                  33131
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86-834

[redacted]

[illegible]

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          COCONUT GROVE, FL                   33133

                                                   15:35:29   6/17/1987
DOCUMENT     G04750 INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23
  E 10/18/1982 LST 11/10/1983                           AOT
NAME         CONSOLIDATED WORKS, INC.
ADDRESS      % RAMON MILIAN-RODRIGUEZ
             2852 SHIPPING AVENUE
             COCONUT GROVE, FL                   33133
AUTH. STOCK 50 SHARES @ NO PAR VALUE
OFFICERS/DIRECTORS:
 D      MILIAN-RODRIGUEZ, RAMON  2852 SHIPPING AVENUE     COCONUT GROVE, FL
REG. AGENT  MILIAN-RODRIGUEZ, RAMON
             2852 SHIPPING AVENUE
             COCONUT GROVE, FL                   33133

INIT FLE  2/26/1982
NAME         VIRNALI ENTERPRISES, S.A.
ADDRESS      CALLE 1, CASA #17
             EL CANGREJO
             PANAMA, REPUBLICA DE PANAMA
OFFICERS/DIRECTORS:
 T/D    COHEN, JORGE AURELIO     URB. OBARRIO, AVE.SAMUEL PANAMA, REP./PANAMA
 P/D    COHEN S., LINCOLN L.     URB. OBARRIO, AVE.SAMUEL PANAMA, REP./PANAMA
 S/D    LARA, RAFAEL FERNANDEZ   CALLE 1, CASA #17,       PANAMA, REP./PANAMA
REG. AGENT  MILIAN-RODRIGUEZ, RAMON
             2121 PONCE DE LEON BLVD., SUITE 727
             CORAL GABLES, FL                       33134
ANNUAL REPORTS FILED: (1982)  2/26/1982


                                                        15:36:02   6/17/198
DOCUMENT     002215 ACTIVE, ALIEN CORP
INIT FLE  3/05/1982
NAME         KABIR HOLDINGS, S.A.
ADDRESS      CALLE, CASA #17, EL CANGREJO
             PANAMA, REPUBLICA DE PANAMA
OFFICERS/DIRECTORS:
 T/D    COHEN, JORGE AURELIO     URB. OBARRIO AVE.SAMUEL  PANAMA, REP./PANAMA
 P/D    COHEN, LINCOLN L.        URB. OBARRIO AVE.SAMUEL  PANAMA, REP./PANAMA
 S/D    LARA, RAFAEL FERNANDEZ   CALLE 1, CASE #17        PANAMA, REP./PANAMA
REG. AGENT  MILIAN-RODRIGUEZ, RAMON
             2852 SHIPPING AVENUE
             COCONUT GROVE, FL                      33133
ANNUAL REPORTS FILED: (1982)  3/05/1982   (1983)  5/03/1983


                                                        15:36:19   [illegible]
DOCUMENT     [illegible] ACTIVE, ALIEN CORP
INIT FLE  7/06/1982
NAME         [illegible] JOSEFIE, S.A.
ADDRESS      CALLE 1, CASA #17
             EL CANGREJO
             PANAMA, REPUBLICA DE PANAMA
OFFICERS/DIRECTORS:
 P/D    LIVINGSTON COHEN,LINCOLN URB.OBARRIO AVE.S. LEWIS PANAMA, REP. PANAMA
 T/D    COHEN, JORGE AURELIO     URB.OBARRIO AVE.S. LEWIS PANAMA, REP. PANAMA
 S/D    FERNANDEZ LARA, RAFAEL   [illegible]              PANAMA, REP. PANAMA
REG. AGENT  MILIAN-RODRIGUEZ, RAMON
             [illegible] SHIPPING AVE
             MIAMI, FL                              [illegible]




ANNUAL REPORTS FILED: (1982)  7/06/1982
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                                                                    15:36:34    6/17/198
DOCUMENT      005224 ACTIVE, ALIEN CORP
INIT FLE 10/29/1982
NAME          YAJAR UNION HOLDINGS S.A. [illegible]
ADDRESS       CALLE 1, CASA # 17 EL CANGREJO [illegible]
              PANAMA, REPUBLICA DE PANAMA
OFFICERS/DIRECTORS:
 T/D   COHEN, JORGE [illegible]                  PANAMA, R.OF PANAMA
 P/D   COHEN, LINC[illegible]                    PANAMA, R.OF PANAMA
 S/D   LARA, RAFA[illegible]                     PANAMA, R.OF PANAMA
REG. AGENT    [illegible]
ANNUAL REPOR[illegible]
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                                                                    15:36:52    6/17/198
DOCUMENT      F05477 INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23
FLE 11/14/1980 LST 12/16/1981
NAME          SECURITY CONSULTANTS CORP.
ADDRESS       2121 PONCE DE LEON BLVD.
              C/O RAMON MILIAN-RODRIQUEZ
              CORAL GABLES, FL                  33134
AUTH. STOCK 50 SHARES @ NO PAR
OFFICERS/DIRECTORS:
 D      MILIAN-RODRIQUEZ, RAMON  2121 PONCE DE LEON BLVD  CORAL GABLES, FL
REG. AGENT  MILIAN-RODRIQUEZ, RAMON
              2121 PONCE DE LEON BLVD., SUITE 727
              CORAL GABLES, FL                  33134
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                                                                    15:33:32    6/17/1987
DOCUMENT      563388 INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23
FLE 3/23/1978 LST 12/05/1979
NAME          ORMA ENTERPRISES, INC.
ADDRESS       3135 SW 3RD AVE
              MIAMI, FL
AUTH. STOCK 100 SHS COM @ $1.00
OFFICERS/DIRECTORS:
 P/D   FORD, JAIME [illegible]        3135 SW 3 AVE            MIAMI, FL
 S/D   FORD, MARIA O                  3135 SW 3 AVE            MIAMI, FL
 T/D   MILIAN RODRIGUEZ  RAMON  [illegible] BLVD     MIAMI, FL
REG. AGENT  MILIAN RODRIGUEZ, RAMON
              3135 SW 3 AVE
              MIAMI, FL
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                                                                    15:34:00    6/17/1987
DOCUMENT      586756 INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23
FEI 59-1835085 FLE  9/18/1978 LST 11/01/1985                  A04-N01-S02
NAME          RAMIL CORPORATION                               CHANGED  2/29/1984
                                                              AM FLE   2/29/1984
ADDRESS       2121 PONCE DE LEON BLVD.                        CHANGED  2/29/1984
              #700
              CORAL GABLES, FL                  33134
AUTH. STOCK 50 SHARES @ NO PAR VALUE*
OFFICERS/DIRECTORS:
 P/S/D MILIAN RODRIGUEZ, RAMON  47 W. DILIDO DR.        MIAMI BEACH, FL
REG. AGENT  RODRIGUEZ, RAMON MILIAN
              47 W. DILIDO DR.                                CHANGED  2/29/1984
              MIAMI, FLORIDA                    33139
ANNUAL REPORTS FILED: (1982)  2/29/1984  (1983) 2/29/1984  (1984)  2/29/1984
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                                                                  15:34:21    6/17/1987
DOCUMENT     [illegible] INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23

FLE  1/18/1979 LST 12/08/1980
NAME           MIHO AIR, INC.
ADDRESS        1401 BRICKELL AVE
               SUITE 412
               MIAMI FL                           33131
AUTH. STOCK 50 SHS COM @ NO PAR*
OFFICERS/DIRECTORS:
 D     MILIAN-RODRIGUEZ, RAMON  1401 BRICKELL AVE #412   MIAMI FL
REG. AGENT  RODRIGUEZ, RAMON
               1401 BRICKELL AVE
               SUITE 412
               MIAMI, FL


                                                                  15:34:55    6/17/19
DOCUMENT     G02256 INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23
FLE 10/04/1982 LST 11/10/1983                                     A01
NAME           CONSOLIDATED COURIER SERVICES, INC.
ADDRESS        % RAMON MILIAN-RODRIGUEZ
               2852 SHIPPING AVE
               COCONUT GROVE, FL                  33133
AUTH. STOCK 50 SHARES @ NPV
OFFICERS/DIRECTORS:
 D     MILIAN-RODRIGUEZ,RAMON   2852 SHIPPING AVE        COCONUT GROVE, FL
REG. AGENT  MILIAN-RODRIGUEZ, RAMON
               2852 SHIPPING AVE
               COCONUT GROVE, FL                  33133


                                                                  15:35:11    6/17/198
DOCUMENT     G04425 INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23
FLE 10/14/1982 LST 11/10/1983                                     A01
NAME           MILIAN-RODRIGUEZ (RAMON), C.P.A., P.A.
ADDRESS        % RAMON MILIAN-RODRIGUEZ
               2852 SHIPPING AVENUE
               COCONUT GROVE, FL                  33133
AUTH. STOCK 50 SHARES @ NO PAR VALUE
OFFICERS/DIRECTORS:
 D     MILIAN-[illegible] 2852 SHIPPING AVENUE     COCONUT GROVE, FL
REG. AGENT  MIL[illegible], RAMON
               2[illegible]
               C[illegible]                       33133


                                                                  15:35:29    6/17/198
DOCUMENT     G04750 INVOLUNTARILY DISSOLVED, FOR PROFIT LOC FL-23
FLE 10/18/1982 LST 11/10/1983                                     A01
NAME           CONSOLIDATED WORKS, INC.
ADDRESS        % RAMON MILIAN-RODRIGUEZ
```

BEST AVAILABLE COPY

PANAMENIAN CORPORATIONS ESTABLISHED FOR SEÑOR RAMON MILIAN RODRIGUEZ DURING THE YEAR 1979

PANAMENIAN CORPORATIONS OF SENOR RAMON MILIAN RODRIGUEZ ESTABLISHED WITH THE FIRM FERNANDEZ LARA ABOGADOS DURING 1979 AND WHICH ARE OBLIGATED TO PAY $100.00 DOLLARS OF ANNUAL TAX (11 AND 9 OF 14 MARCH 1980) TO THE NATIONAL TREASURY AND $100.00 DOLLARS ANNUALLY TO THE RESIDENT AGENT (DECREE No. 147 OF 4 MAY 1966).

JANUARY

Name of the corporation: TRANTON HOLDING INC.

Date of constitution: 24 January 1979.

References: UBALDO FERNANDEZ; TERESA FERNANDEZ; REGENTE JOYERIA INC.; OMAR MARTIN; FATIMA YDDA; TERESA RIASCOS; A AVEDANO.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

Note: This corporation was not established by the firm Fernandez Lara Abogados, later the Resident Agent was changed.

****

FEBRUARY

Note: No corporations were established during the month of February.

****

MARCH

Name of the corporation: MIRO INVESTMENTS INTERNATIONAL S.A.

Date of constitution: 14 March 1979.

References: MARCOS ALLAN; MANUEL GARCIA; JOSE M. FERNANDEZ; RAMON MILIAN RODRIGUEZ; JULIO CASTELLANOS; JOSE L. CASTELLANOS.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of the corporation: (Illegible) INVESTMENTS S.A.

Date of constitution: 14 March 1979

References: RAMON MILIAN RODRIGUEZ

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of corporation: SOFLO HOLDINGS S.A.

Date of constitution: 30 March 1979.

References: JULIO CASTELLANOS; RAMON MILIAN RODRIGUEZ; JOSE L. CASTELLANOS.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of corporation: VIRNALI ENTERPRISES S.A.

Date of constitution: 30 March 1979.

References: RAUL CRUZ; YVETTE CRUZ; RAMON MILIAN RODRIGUEZ; GILBERTO MARTINEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of corporation: CHAMARA INTERNATIONAL S.A.

Date of Constitution: 30 March 1979.

References: ANTONIO VERA; RAMON MILIAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of the corporation: (Illegible) UNION HOLDIDNGS S.A.

Date of Constitutiooon: 30 March 1979.

References: BERNANRD CALLEJA; RAMON MILIAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

APRIL

Note: No corporation was established during the month of April.

****

MAY

Name of the corporation: ARAD INVESTMENTS S.A.

Date of constitution: 3 May 1979.

References: EMILIO VENEGAS; A AVEDANO; RAMON MILIAN RODRIGUEZ;
REINALDO TORRIENTE; EDUARDO GARRIDO PONCE DE LEON;
EDUARDO MACHIN.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

****

Name of the corporation: RASHIZ INVESTMENTS S.A.

Date of the constitution: 3 May 1979.

References: CARLOS SOTO; RAMON MILIAN RODRIGUEZ.

YEARLY TAX AND RESIDENT AGENT

1979: Cancelled

1980: Cancelled

1981:

Personal Copies
o- TACTICAL PLAN
o- LATIN AMERICAN

GK Loeb
1/6/86

Report to: #3
FBI - 1/8/86
minus voice tape

EAL

Prelude

January 7, 1986

Eastern Air Lines: Domestic and Foreign Allegations of Drug-Trafficking, Money-Laundering and Kickback Schemes involving EAL and its employees.

This bizarre case involves a varied cast of EAL characters ranging from the Chairman of the Board/CEO, to Senior Vice-Presidents, Vice-Presidents, Directors, Managers, Clerical Workers, Flight Attendants ~~and~~ other current or previous employees.

As per ascending order of suspect areas of alleged illegal activities are:

- Cocaine and other drugs delivered to EAL flight crews at their respective, foreign layover stations and hotels throughout Central and South America; by EAL employees.

- Miami-based, domestic kickback schemes involving skimming of corporate funds, extortion of contract vendors, aircraft sales and aircraft parts involving embezzlement and kickbacks, implicating Field-grade

  Include: EAL

Directors and Managers, a Vice President and at least one Senior Vice-President.

- Exportation of un-registered corporate funds from Miami into foreign accounts.

- Corporate losses with Central and South America using DBA (Doing-Business-As) companies to skim corporate funds.

- Alleged homo-sexual activity by at least one Senior Vice President, and higher, in exchange for job protection and security.

- A Senior Vice-President in charge of the Central and Latin American Divisions who is implicated in a franchise-type agreement and arrangement for kickbacks, money-laundering and drug-trafficking.

- A Regional Manager in Panama City, Panama Canal Zone, who holds dual citizenship, with Panama and Paraguay, and who may be directly implicated in the Paraguayan-Bolivian-Panamanian-USA cocaine pipeline dispute of 1984-1985 which may have resulted in the inflight destruction – or sabotage – of EAL flight #980 on Jan 1, 1985 near La Paz, Bolivia.

Interview Synopsis #1

January 3, 1986
Re: Camino Fabrega
([illegible])

Witness: Miss Angela "Angie" Zarragoza (Zaragoza)
931 Catalonia Street, Apt #2
Coral Gables, (Miami) Florida
(305-443-9764) Home or (212-772-4753)

Approximate age: ± 34-36 and living alone (single). Parents divorced, Father living in Mexico and Mother, Sister and Brother living in El Paso, Texas (Mrs. Gloria Blanco). Mexican-Spanish background.

Background:

Angie is an Eastern (EAL) Flight Attendant (F/A) who has been employed by EAL for approximately 15-17 yrs. in that capacity. She is an articulate, alert, bright woman who is widely traveled and sophisticated in worldly events. She is, however, very trusting of other people and tends to overlook their failings as she strives to rehabilitate rather than criticize.

Angie is extremely well-connected within the Mexican-Central American-South American airline and civic communities and moves easily within that sector. She is respected by her peers and colleagues and enjoys a clean reputation.

Angie confided to another witness in this case, that she knew of certain drug trafficking - money laundering - kickback schemes involving EAL corporate officers from corporate headquarters (Miami), Panama Canal Zone, Lima, Peru and most potently: La Paz, Bolivia.

Angie came to NYC and to the offices of Sheinkman, Hope, Cole, Naughton and Stern (Sheinkman/Hope), a law firm retained to represent the Eal Pilots' Union (ALPA), the Transport Workers Union (TWU) and the ~~Int'l Assoc~~ of Machinists (IAM) groups with Eal.

She was debriefed by this writer on Friday, January 3, 1986 in the Sheinkman/Hope office complex from 2:50 PM until 6:45 PM. The subsequent session was from 7:40 PM until 2:00 AM, Saturday, January 4 and, finally, from 8:30 AM Saturday until 11:30 AM that same day.

Specific Information: Angie brought forth her deep concern for her own safety after having received threatening (2) telephone calls on Wednesday - Thursday, January 1 and 2. The caller, or callers, warned her to maintain her silence and not to talk to anyone about her dealings and observations of her travels, work and discovery of corporate wrong-doing. She was warned not to travel to Latin America or she would never come back.

Angie is a member of the Eal FA's Hotel Committee and as such, has discovered skimming, kickbacks and gratuities being paid to certain, mid-management level officials in order to deliver business to certain hotels where FA crews layover in the routine course of their rest periods.

She estimates that a mid-level manager is skimming from a $70 million annual budget (Eal ~~[illegible]~~ Travel Dept) with the condoning, if not participation of higher corporate officials.

However, in the course of her surprise hotel inspections, in her capacity as Chairwoman for the Eal FA's, she literally stumbled across — and admits knowledge of — an alleged, corporate officers' controlled and directed drug trafficking, kickback and money laundering schemes throughout Central and South America involving EDC corporate-level officers.

During the course of this emotionally-charged debriefing, Angie became physically upset and wept openly. She fears for the safety of some of her friends who are involved within these various schemes; specifically Panama and Belize. She supplied leads to other witnesses who can corroborate her suspicions and assertions. Angie brought into focus a [illegible] [illegible] and [illegible] for U.S. [illegible].

Wiring Diagram: Cast of characters within EDC who are alleged to be directly involved in, or in complicity with, the movement of EDC corporate funds into foreign banks for personal use, drug-trafficking and kickback schemes involving vendor services.

This Diagram is separated into EDC Domestic and EDC Foreign (Central and South American Divisions).

I. First the EDC Foreign: (Latin America)

- Senior Vice President George Lupple: Responsible for all operations by EDC in Latin America including, but not limited to, Panama Canal Zone, Colombia, Ecuador, Peru, Chile, Argentina, Paraguay and Belize. Lupple reports directly to CEO and Chairman Eric J. Bernsen.

He is suspected of working with and for these known EDC corporate officials in orchestrating the flow of corporate funds into foreign bank accounts for personal use, complicity with known, high-volume drug-traffickers and a wide spread protection operation for these operations.

He has, from time to time, attempted to divert EDC internal auditors from auditing internal, foreign base accounts and records.

His penchant for a swinging lifestyle and his propensity to ally himself with known, corrupt but powerful foreign nationals is widely recognized by the EAL employees living within his area of corporate responsibility.

Beyond the normal corporate proclivity to bed down certain EAL employees and conduct a swinging lifestyle, his activities go into the darkest reaches of the criminal and dangerous cocaine-trafficking communities within Bolivia, Panama and Peru.

The activities in which he has been observed in partaking, have, in the main, been inherited from the Braniff Airline's chain up to its demise in early 1982. These activities have accelerated since 1982 and increased, dramatically, in scope, depth and dimension and financial reward.

Lyle is reported to be very closely aligned socially and financially with his EAL corporate subordinates inasmuch as he attempted, as recently as April 1985 to subvert an EAL audit after F. Borman had received an anonymous teletype of corporate theft in Panama.

The Panamanian Station Chief, EAL, requested Lyle to have the audit terminated. Lyle did so but was subsequently overruled by F. Borman.

The result of that particular audit by EAL auditors, resulted in the firing of approximately 10 key-station personnel. It should be noted, however, that the most important of the terminated personnel still occupy a physical presence at the station and continue to work on various, illegal projects for the EAL Station Chief: Senor Camilo Don Fabrega (EAL Regional Manager).

Lyle also is engaged in keeping his Panamanian EAL station (corporate) officers away ~~from the~~ activities alleged to Fabrega. An arrangement ~~for segmenting~~ (franchising) certain illegal activities ~~has been~~ arranged, observed and virtually codified.

This franchise arrangement allows EAL corporate officers within Panama, Chile, Peru and Bolivia to focus their attention and energies into three specific areas of their respective controls for alleged ticket-theft schemes, free first class EAL flight accommodations, safe-houses for swinging life-stylers, gifts, graft, kick-backs from vendors, corporate money-laundering and drug-trafficking operations.

Lyle is suspected of having knowledge of, if not participating in, all sectors of these illegal and dangerous activities.

He has most recently verbalized his intentions to resign effective January 31, 1986, or shortly thereafter, and retire from EAL. He has, until most recently, made known his desire to be nominated to, or confirmed for, a high visibility government position. This is still pending at this date.

- Señor Camilo Don Fabrega, EAL Station Chief, Panama Canal Zone. Fabrega reports directly to Lyle. Fabrega transitioned from Braniff to EAL in early 1982 as Braniff's ex-Regional Manager. Holds dual citizenship, Panamanian and Paraguayan.

Fabrega was high-lighted in the Panamanian paper, La Republica, in an article dated May 13, 1982 in which he was accused of pocketing $40,000 (US) dollars from Braniff's old station account. No action was taken to recover the money.

He is reputed to be the "Panamanian Mafia Don" and has, allegedly, the power to influence if not control the incumbent Panamanian military (National Guard) government.

He is feared by his subordinates and considered very dangerous. Whether he has or not, carefully nurtured that image of mystic and power - or - has in fact that amount of power is not for this writer's speculation.

It is a known fact of corporate (Panamanian) operations that nothing happens in Panama unless Fabrega allows it to happen. He also acts as the Paraguayan Consulate with offices in his EAL office

Fabrega is implicated in countenancing overcharging of EAL accounts used for delivery payments for services rendered to other airlines.

For example: Challenger Air Freight (Miami-based) in June 1984. Challenger replaced Inair whose license had been revoked for drug trafficking. EAL employees, by contract, service Challenger.

Challenger paid cash to the EAL operations manager who deposited these cash payments into an EAL safe. The money, reported to be over $100,000.* has not been found to date. The file of payments to EAL is missing and records of subject deposits were traced close to Fabregas.

It is also reported that Challengers take off and arrivals are not recorded by the Panamanian tower operations which, in most all cases in all countries, is a standard procedure.

Fabrega also directs, or is in concert with, Panama Dispatch Service (PDS), a freight forwarder, who EAL pays ~~PDS~~ for services performed. The actual work is not done by PDS personnel but by EAL employees. [illegible] [illegible] also paid to PDS by EAL, ~~[illegible]~~ work performed. Ditto for Emery Air Freight; paid by EAL for services rendered but actual work by EAL employees.

Servicemaster (formerly La [illegible] and owned by ex-station-manager Mr. Jiménez and EAL-terminated Simon Amado) was sold to the government in [illegible] [illegible] EAL charge.

Gasoline charges to EAL for non-existent or non-operating ground vehicles continues under Fabrega. Fabrega's personal chauffeur is an EAL employee who also acts as Fabrega's front-man and arranging life style "coordinator" (procurer).

Fabrega's ex-mistress, Amanda Teresita Chism (former EAL Base Manager, Flight Attendants), has implicated the EAL Senior Vice-President, In-Flight Operations – Miss Winnie Gilbert – in some of the alleged [illegible].

Teresita Chin has indicated her willingness to come forward and corroborate the above information and, hopefully, tie-in the suspected, corporate money-laundering and drug-trafficking operation in Panama under Fabrega's control. She collected over $42,000 as an unearned severance payment.

• Omar Amaya, ex-EAL Station Manager in Panama until mid-1985. Amaya fired for missing funds and received a payment of $18,000 and $35,000 for post-[illegible] [illegible]. As a result of the internal EAL audit of April 1985 period, Amaya and Littman, Tom Pierson, Mercedes de la Espriella, Marcos Salinas, Elida Rodriguez and Rosemarie Dillmore were fired for various wrong-doings, theft, etc.

Amaya continues to loiter on EAL property and is so [illegible] [illegible] as though he is still an active EAL employee. He is reputed to be Fabrega's trusted confidant and an important cog in the money-laundering scheme.

The Airport Inn, a local and seedy motel, is also an investment held by Fabrega. The motel is presently used for EAL layover crews even though several and electrical fires have terrorized some EAL F/A's. [illegible] Teresita Z., in a layover and in her capacity as F/A Hotel Chairwoman ~~Coordinator~~, assisted a Latin male who was robbed (briefcase) in the parking lot of said motel and who had been near-fatally shot. She could not get, nor did she receive, any assistance from the motel staff who told her not to get involved. ~~She contacted~~ first aid and escorted him to a hospital for treatment of a severe gunshot wound. This incident also piqued her interest as to (1) why EAL layover crews could not be transferred to another hotel or motel in spite of the shabby accommodations and her repeated efforts to move the crews, and, (2) why a gun-shot victim, bleeding to death and having been robbed on said parking lot – would be left to die and no-one (staff) would render aid?

This incident forced her into [illegible] [illegible] and voluntarily making herself available for debriefing. The subsequent telephone threats mobilized her efforts.

Recommendations for Corroboration of Allegations and Subsequent Fact-Finding for the Panamanian Situation:

- Bring in voluntary witness Senor Betty St. John, an ex-EAL employee, who purports to having first hand knowledge of involvement in some, if not most, of the activities listed above. St. John resides in Panama City. home (11-507-64-95-59) (260-748) office

- Bring in in-voluntary witness Senorita Teresita Chism, an ex-EAL employee who purports to having information as to all areas of Noriega's activities - past and present. Chism also resides in Panama City.

- Approach potential witnesses Lithium and Finsen, et al, who purport to have knowledge of corporate theft. Both reside near Panama City.

- Approach potential witness Julio Martinez who was also fired for theft but, until recently, continued to fly on EAL for free.

- Approach EAL Senior Vice-President Joe Smith who has volunteered his willingness to "discuss" Lorenzo's "infractions" for his (Lorenzo's) EAL position. Smith is EAL Treasurer and is reported to be a very legitimate individual and a veteran of the Bay of Pigs invasion circa 1962.
(305-557-2317/558-655

- Solicit testimony from EAL pilot Raymond Keller (Miami) who has brought above witnesses to the writer's attention. Valdés is a very legitimate and deeply respected leader within the Miami and Puerto Rican communities.

- Bring in witness Angie Zorraga for detailed debriefing as to all her knowledge of Cuban and Latin American illegal activities. Essential is her emotionally-rooted knowledge of drug-trafficking from La Paz, Bolivia via EAL into the USA.

- Corroborate the information contained herein and acquire depositions from these witnesses. Bring in Lyle.

- Department of Justice (DOJ) and its respective law-enforcement and investigative agencies take charge of this matter. Remove all EAL personnel from the responsibility of this case.

- Delete the DEA from investigating the Bolivian and Panamanian connections

- Provide U.S. Marshal Service protection for these witnesses as needing and requesting same.

- Retain all foreign national witnesses within the USA until this matter is completed. Obviously these witnesses must voluntarily decide to remain within the USA for safe-keeping.

- All ~~[illegible]~~ expenses incurred by EAL ALPA, and the respective witnesses, be re-imbursed in a timely manner by the controlling agency.

II. EAL Domestic:

- Allegations and purported documentation as to internal EAL bribery, extortion of vendors, gratuities, home improvements for Senior and Vice-Presidential EAL Corporate Officers in exchange for service contracts, kickbacks for sale and purchase of EAL aircraft, Corporate internal security collusion to smooth-out failed lie-detector results, drug-trafficking and drug use by EAL Director and Manager-level officials, EAL's overnight spare parts kickback schemes, advancing knowledge of EAL's bids for hotel and charter flights to its competitors in exchange for cash and profit and alleged homosexual conduct by senior management officers in exchange for job retention, advancement and protection.

- Corroboration of some of the above has been established by the writer since December, 1984.

Recommendation as to EAL Domestic, Corporate Allegations of Criminal Activities:

- Bring in voluntary witness James Lund. Lund is an EAL employee, and a member of the IAM union, who has carefully recorded (and purports to have documentation) of a majority of the no-no's reported above within the EAL Domestic side. Lund has agreed to meet, in NYC @ Skadden/Arps on Friday, January 10, 1986 for purposes of debriefing and reviewing his documentation. He enjoys a reputation for being very quiet but extremely efficient. His wife is also an EAL F/A.
Contact @ 305-661-4763 (home) or 873-3728 (work).

- Trace into Stateside Regional Manager Frank Flunker and his station manager, Juan Vary, from Miami, Fla for directions as to not only the Central and South American activities but also the domestic (Miami) premise for the above activities emanating from Miami.

- Flunker and Vary are also implicated, by association with Lyle, Fatraga and others, as being operatives for EAL money-laundering and possible drug-trafficking within their respective "franchised areas".

- Mr. Michael M. Cinerary, Esq, of Skadden/Arps is coordinating the legal work, flow of some (non-sensitive information contained herein) information and the unions' collective efforts to make EAL internal management changes. Contact 212-735-2920/6000 (office). Mike has a limited knowledge of the content of this report. Recommend that he not be burdened with this matter.

- Contact President of the District 100, IAM, Mr. Charley Bryan. Office in Miami, 305-591-8540. Home 305-233-8539. Charley is a noble, trustworthy and honest man who is dedicated to his constituents.

- Do not contact President TWU (Flt union) Bob Callahan. He cannot take the strain. Honest but very stressed-out.

- EAL ALPA Pilots Chairman, Larry D. Schulte should not be burdened with this matter. He is an intelligent, honest and deeply dedicated union leader who is selflessly working within the system for orderly change. Larry is advised of all the ~~subject matter~~ contained herein by this writer.

Postscript: Dated January 5, 1986. Witness Angie Z. received an anonymous, threatening telephone call from a Spanish-speaking male @ 1130-1135 PM, Saturday, January 4, 1986. The caller told Angie that "they are going to get your mother." Angie called the writer @ 1145 PM and calls were made to El Paso, Texas (her home residence) to attempt protection for her. The [illegible] FBI agent referred the writer to FBI in Washington, D.C. (Duty Desk). No protection could be arranged (for mother or Angie) due to, as it was put: "a technical problem of jurisdiction," etc. The writer arranged to have her mother sequestered at a relative's home until further notice. Witness Angie departed Miami this date (1/5/86) to sequester herself until further notice from the writer.

Summary (interim):

- The DOJ should immediately determine its decision to embrace and control this matter, or reject jurisdiction, so that witness debriefing may be continued or discontinued as per events.

- EAL ALPA is neither ~~equipped~~ ~~nor~~ does it have the financial or human resources to ~~press~~ on in these most sensitive matters.

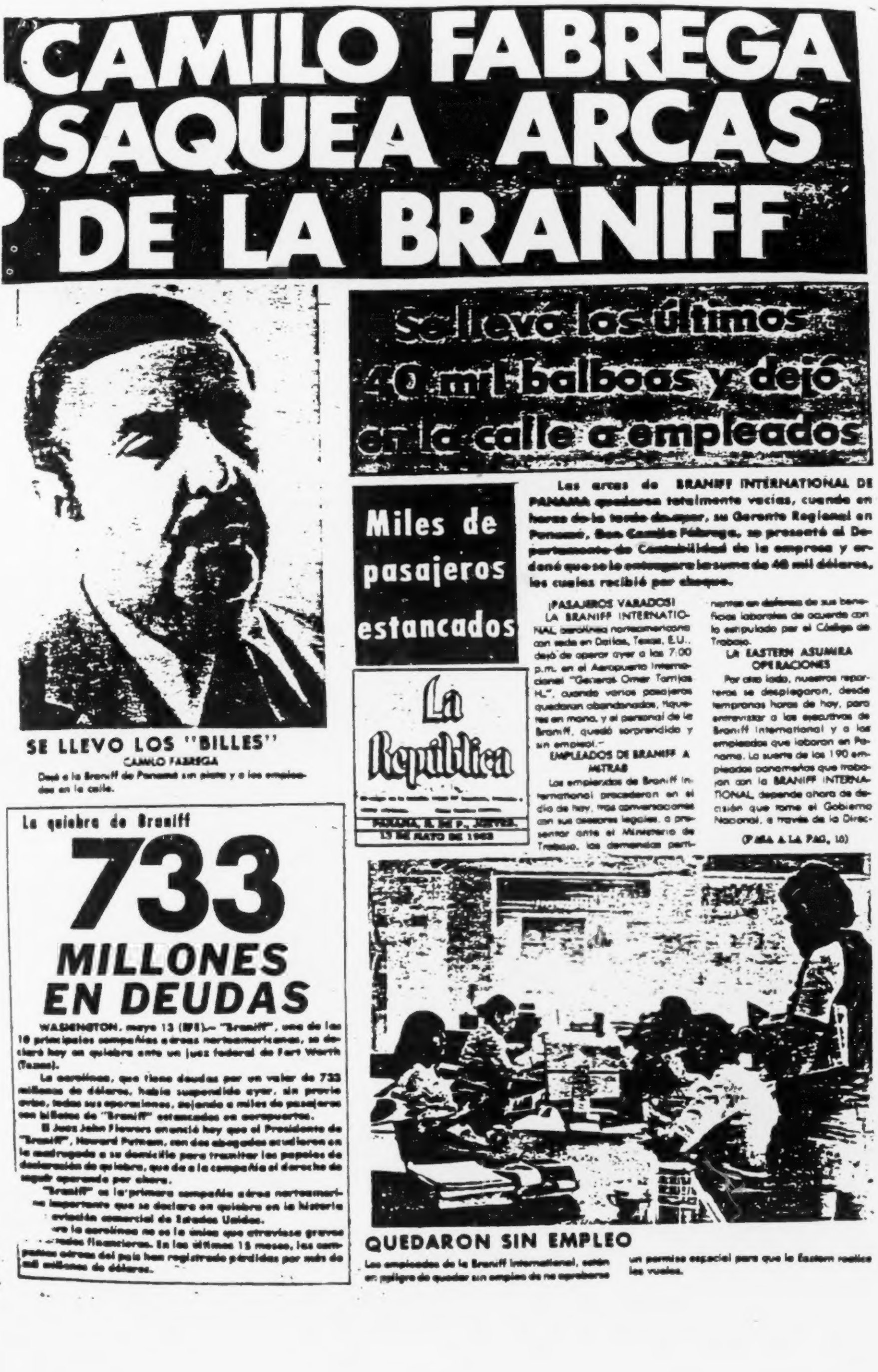
- Should DOJ decide to control this matter, witnesses must be afforded funding, protection and the ability to fully and factually present their observations, documentation and so-forth.

- Internal, EAL corporate-level signals are being received by the writer that insiders are now willing to come forward to add to, and corroborate, the information contained herein. They will need confidence, that some

only be addressed by a federal agency, to do so in a timely manner.

?-917-7210
- -684-1374/2272
305-446-5965

Jerry K. Loeb
Captain, EAL



CAMILO FABREGA SAQUEA ARCAS DE LA BRANIFF

Se llevó los últimos 40 mil balboas y dejó en la calle a empleados

SE LLEVO LOS "BILLES"

CAMILO FABREGA

Dejó a la Braniff de Panamá sin plata y a los empleados en la calle.

Miles de pasajeros estancados

La República

PANAMA, R. DE P., JUEVES, 13 DE MAYO DE 1982

Las arcas de BRANIFF INTERNATIONAL DE PANAMA quedaron totalmente vacías, cuando en horas de la tarde de ayer, su Gerente Regional en Panamá, Don Camilo Fábrega, se presentó al Departamento de Contabilidad de la empresa y ordenó que se le entregara la suma de 40 mil dólares, los cuales recibió por cheque.

¡PASAJEROS VARADOS!

LA BRANIFF INTERNATIONAL aerolínea norteamericana con sede en Dallas, Texas, E.U., dejó de operar ayer a las 7:00 p.m. en el Aeropuerto Internacional "General Omar Torrijos H.", cuando varios pasajeros quedaron abandonados, tiquetes en mano, y el personal de la Braniff, quedó sorprendido y sin empleo.-

EMPLEADOS DE BRANIFF A MITRAB

Los empleados de Braniff International procedieron en el día de hoy, tras conversaciones con sus asesores legales, a presentar ante el Ministerio de Trabajo, las demandas pertinentes en defensa de sus beneficios laborales de acuerdo con lo estipulado por el Código de Trabajo.

LA EASTERN ASUMIRA OPERACIONES

Por otro lado, nuestros reporteros se desplegaron, desde tempranas horas de hoy, para entrevistar a los ejecutivos de Braniff International y a los empleados que laboran en Panamá. La suerte de los 190 empleados panameños que trabajan con la BRANIFF INTERNATIONAL, depende ahora de decisión que tome el Gobierno Nacional, a través de la Direc-

(PASA A LA PAG. 10)

QUEDARON SIN EMPLEO

Los empleados de la Braniff International, están en peligro de quedar sin empleo de no aprobarse un permiso especial para que la Eastern realice los vuelos.

La quiebra de Braniff

733 MILLONES EN DEUDAS

WASHINGTON, mayo 13 (EFE).- "Braniff", una de las 10 principales compañías aéreas norteamericanas, se declaró hoy en quiebra ante un juez federal de Fort Worth (Texas).

La aerolínea, que tiene deudas por un valor de 733 millones de dólares, había suspendido ayer, sin previo aviso, todas sus operaciones, dejando a miles de pasajeros con billetes de "Braniff" estancados en aeropuertos.

El Juez John Flowers anunció hoy que el Presidente de "Braniff", Howard Putnam, con dos abogados acudieron en la madrugada a su domicilio para tramitar los papeles de declaración de quiebra, que da a la compañía el derecho de seguir operando por ahora.

"Braniff" es la primera compañía aérea norteamericana importante que se declara en quiebra en la historia aviación comercial de Estados Unidos.

ro la aerolínea no es la única que atraviesa graves tades financieras. En los últimos 15 meses, las compañías aéreas del país han registrado pérdidas por más de 841 millones de dólares.

MEMORANDUM FROM GENERAL NORIEGA

7 [illegible] 12 57 [illegible] 3 [illegible]A
[illegible] 12 [illegible] [illegible]21 [illegible]
[illegible] 1982 [illegible]

Para: Cónsul JOSE I. BL[illegible]ON - New York
De: Mi General MANUEL ANTONIO NORIEGA

1.- Conversación muy positiva con el visitante.

2.- Recomendé que podían conversar contigo por tu experiencia.

3.- Te recomiendo ser cuidadoso, cauteloso, conceptual, con planteamientos de doctrina, sin llegar a renglones específicos donde pude aparecer o manejarse el concepto muy tipificado de los norteamericanos que en la historia nos llamaban como "SI FUERAMOS [illegible]".

4.- El documento, la discusión, debe ser de tú estricto control, sin que aparezca como fórmula de entendimiento de parte gubernamental porque puede ser utilizado por la oposición como el Imperio Japonés en la Segunda Guerra, firmando con McArthur su Capitulación en el Missouri.

5.- Tomaremos puntos positivos que contiene como marco de disciplina de discusión.

6.- Todo lo anterior, en el concepto real de que un gobierno con partidos, con esquemas previstos, no puede desmontarse para quedar en manos lógicas de los que gobiernan administrativamente, sin ningún cordón umbilical con las fuerzas populares que mañana constituirían el similar ejército de los pobres de El Salvador, con una Fuerzas de Defensa, con otros esquemas y otros conceptos de seguridad.

CONCLUSION:

El material es valioso, ordenado y lo ajustaremos a las realidades concentradas tanto políticas como laborales y Sindicales, Sociales y Económicas que hoy se viven sobre todo en el teatro de operaciones de una Centroamérica convulsa y con los ejércitos de esos países frustrados, con sus mandos medios y subalternos, resentidos de los macro-planes impuestos por los Estados Unidos, en una gran guerra de baja intensidad, sin parámetros que contemplen la realidad de cada espacio geográfico.

7. Posteriormene, al desarrollar o crear otros puntos te lo enviaré para un ajuste de este importante documento de discusión preliminar.

LEGAL PAPERS MAKING AEROFLOT A PANAMANIAN COMPANY

CONVENIO

Sobre la prestación de servicios de agencia en la ejecución de vuelos no regulares de AEROFLOT en Panamá.

Entre los suscritos, a saber, Dirección Central de Transporte Aéreo Internacional AEROFLOT, LINEAS AEREAS SOVIETICAS, sociedad extranjera debidamente constituída e inscrita en la Dirección General del Registro Público, en la Sección de Micropelículas (Mercantil) en la ficha S.E. [illegible], al rollo [illegible]342, e imágen 0[illegible]4, la cual tiene sus oficinas principales en la ciudad de Moscú, 103340, Aeropuerto Sheremitievo, URSS, llamada más adelante AEROFLOT, representada en este acto por IAROSLAV KRASSIY, varón, de nacionalidad soviética, quien declara que no necesita intérprete por conocer el idioma español, casado, ingeniero, vecino de esta ciudad y portador del pasaporte CK No.533325, en su calidad de Director Regional de AEROFLOT, LINEAS AEREAS SOVIETICAS, con facultades suficientes para este acto; y, por el otro, DIDIO AGUSTIN SOUSA GUEVARA, varón, panameño, mayor de edad, casado, vecino de esta ciudad, y portador de la cédula de identidad personal número 8-99-834, en nombre y representación de GENERAL SKY SHOPS CORP., sociedad debidamente constituída e inscrita en el Registro Público, Sección de Micropelículas (Mercantil) en la ficha 180746, al rollo 13358, e imagen 0002, en su calidad de Apoderado Especial en virtud de autorización otorgada por la Junta Directiva de dicha sociedad en su reunión celebrada el día 4 del mes de agosto de 1987, cuya Certificación se adjunta a este mismo Convenio, a quien se le conocerá como EL AGENTE, se ha convenido en lo siguiente:

CLAUSULA PRIMERA:

1. AEROFLOT designa a la empresa GENERAL SKY SHOPS CORP. como EL AGENTE para la atención de los vuelos no regulares a Panamá de los aviones de AEROFLOT de conformidad con las reglas y condiciones del presente Convenio.

CLAUSULA SEGUNDA:

1. AEROFLOT otorga poder a EL AGENTE para celebrar convenios de sub-agencia con otras firmas o compañías especializadas para la prestación del servicio técnico y comercial a los aviones de AEROFLOT en el territorio de la República de Panamá.

2. EL AGENTE celebrará tales convenios de sub-agencia previa aprobación de AEROFLOT otorgada por escrito y de conformidad con los convenios típicos entregados por AEROFLOT a EL AGENTE.

CLAUSULA TERCERA:

1. AEROFLOT faculta a EL AGENTE para ejecutar las siguientes funciones:

1.1. Apoyar y reforzar el prestigio de AEROFLOT en el territorio de la República de Panamá.

1.2. Observar las instrucciones de AEROFLOT en la medida que las mismas no sean contrarias a las leyes, ordenanzas y reglas existentes en la República de Panamá. En el evento de que no existan instrucciones de AEROFLOT en algún momento determinado, entonces el servicio será prestado de acuerdo con la práctica y procedimiento internacionales.

1.3. Adoptar todas las medidas posibles de manera que la calidad del servicio terrestre y comercial prestado a las aeronaves de AEROFLOT, así como el servicio prestado a las autoridades locales correspondientes, no sean más bajas que la calidad del servicio prestado a cualesquier persona similar en la República de Panamá.

1.4. Ejercer control por el servicio desempeñado por los sub-agentes que prestan servicio técnico y comercial a las aeronaves de AEROFLOT que realizan vuelos no regulares al territorio de la República de Panamá.

1.5. Ejercer control sobre los estados de cuentas con los sub-agentes por los servicios ténicos y comerciales a las aeronaves de AEROFLOT que realizan los vuelos no regulares al territorio de la República de Panamá.

CLAUSULA CUARTA:

1. Por todos los servicios indicados en las cláusulas 1 y 3 del presente Convenio, AEROFLOT pagará a EL AGENTE no menos del cinco por ciento (5%) ni más del diez por ciento (10%) del monto total mensual del precio de los servicios prestados por el servicio terrestre y comercial a las aeronaves de AEROFLOT que realizan vuèlos no regulares al territorio de la República de Panamá.

CLAUSULA QUINTA:

1. EL AGENTE no presentará ninguna pretensión o reclamo a AEROFLOT y libera y liberará a AEROFLOT de cualesquier responsabilidad jurídica por concepto de reclamos o demandas, incluyendo los gastos y costas judiciales relacionados con u originados con:

a) Mutilación, daños corporales, heridas, etc. o muertes de los trabajadores, sirvientes, directores, etc. de la parte servidora, sus agentes o sub-agentes;

b) Daños o pérdidas de bienes, propiedades, consideradas de propiedad de o en uso o usufructo por, la parte prestadora del servicio o que realiza dicho servicio en su nombre, y cualesquier daño o pérdida producida u originada por cualesquier acción u omisión por parte de AEROFLOT en la ejecución del presente Convenio excepto si hubiesen sido hechas con el ánimo de producir daños, muertes, mutilaciónes, pérdida o con el conocimiento de que semejantes daños, muertes, mutilaciones, pérdidas posiblemente se producirían.

2. EL AGENTE es responsable directamente por la ejecución de los servicios contemplados en el presente Convenio realizados por sus agentes, sub-agentes y/o personal como si fuese ejecutado por él mismo.

CUALUSULA SEXTA:

1. LAS PARTES tratarán de resolver todos los litigios o disputas que surjan de la interpretación o ejecución del presente Convenio, por medio de conversaciones bilaterales. En el evento de que estas disputas o litigios no sean resueltas en la forma antes dicha, entonces serán objeto de arbitraje para su solución definitiva.

Si en el caso de que se recurriera al arbitraje el demandado fuese AEROFLOT, entonces el arbitraje tendrá lugar en Moscú en la Comisión de Arbitraje de Comercio Exterior de la Cámara de Comercio-Industrial de la URSS de conformidad con las reglas de dicha Cámara.

Si el demandado fuese EL AGENTE, entonces el arbitraje tendrá lugar en Panamá de conformidad con las leyes generales de la República de Panamá.

CLAUSULA SEPTIMA:

1. Cualesquier cambio y adición al presente Convenio pueden ser hechas solamente por mutuo acuerdo de LAS PARTES y por escrito en forma de Addenda las cuales formarán parte integrante de este Convenio.

El presente Convenio entrará en vigencia a partir del momento de su firma por ambas partes.

2. Cualesquiera de LAS PARTES puede dar por terminado el presente Convenio en cualquier tiempo siempre y cuando comunique a la otra parte su intención con noventa (90) días de anticipación, aduciendo para ello una causa justificada, y observando el procedimiento establecido en la claúsula Sexta.

3. El presente Convenio será firmado en español y ruso, teniendo ambas versiones el carácter de originales.

Panamá, República de Panamá, 6 de agosto de 1987.

POR AEROFLOT	POR EL AGENTE
Ing. IAROSLAV KRASSIY. AEROFLOT, LINEAS AEREAS SOVIETICAS. DIRECTOR REGIONAL.	DIDIO AGUSTIN SOSA GUEVARA GENERAL SKY SHOPS CORP. APODERADO ESPECIAL.

PAPEL NOTARIAL

NOTARIA CUARTA DEL
CIRCUITO DE PANAMA

TIMBRE NACIONAL
B/.4.00 CUATRO BALBOAS B/.4.00

de 1974
EJECUTIVO No. 69 de 1974
LIQUIDACION No. ---11

Notaría 4a. de Panamá
CONFORME

ESCRITURA PUBLICA NUMERO DIECISIETE MIL TRES------------------- (17,003)------

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POR LA CUAL se constituye la sociedad denominada GENERAL SKY SHOPS CORP.-----
con domicilio en la ciudad de Panamá,- República de Panamá.-----------------

---Panamá, 20 de octubre de 1986.-----

En la ciudad de Panamá, Capital de la República y Cabecera del Circuito Notarial del mismo nombre, a los veinte (20) días del mes de octubre de mil novecientos ochenta y seis--(1986), ante mí, ERASO DIAZ HERRERA, Notario Público Cuarto del Circuito de Panamá, portador de la cédula de identidad personal número nueve-cuarenta-setecientos veintiseis (9-40-726), comparecieron personalmente los señores EFRAIN VILLARREAL AREVALO, varón, mayor de edad, casado, Abogado en Ejercicio, panameño, vecino de esta ciudad, con cédula de identidad personal número cuatro-setenta y nueve-sesenta y uno (4-79-61) y CLARA DIAZ DE SOTELO, mujer, mayor de edad, casada, abogada en ejercicio, panameña, vecina de esta ciudad, portadora de la cédula de identidad personal número ocho- doscientos trece-novecientos ochenta y cinco (8-213-985), personas a quienes conozco y me pidieron que elevara a Escritura Pública el contrato por el cual constituyen una sociedad anónima con arreglo a la legislación de la República de Panamá,-- bajo las normas de la Ley Treinta y dos (32) de mil novecientos veintisiete (1927).-----PRIMERA:- (Denominación) La sociedad se denomina: GENERAL SKY SHOPS CORP.---------SEGUNDA:- (Objeto) El objeto principal de la sociedad será el de dedicarse en la República de Panamá y fuera de ella, a la prestación de toda clase de servicio en materia de aeronavegación, transportación terrestre, marítima etc. Igualmente podrá dedicarse a la agencia, distribución y representación, importación y exportación de toda clase de bienes, productos, mercancías de cualquier naturaleza, ya que sea en materias primas o manufacturados, nacionales o extranjeros; a la compra y venta al por mayor o menor de dichos bienes dentro o fuera del país.----Además, podrá comprar, vender, arrendar, hipotecar, pignorar, negociar o en cualquier otra forma adquirir, gravar o enajenar toda clase de bienes muebles, inmuebles, derechos reales o personales y títulos valores; tomar y dar dinero en préstamo, con o sin garantía; celebrar, extender, cumplir y llevar a cabo contratos de toda clase; afianzar, avalar o en cualquier otra forma garantizar la celebración y cumplimiento de todo tipo de obligaciones; dedicarse a cualquier otra actividad lícita, aunque no guarde relación con ninguno de los objetos contenidos en esta cláusula y realizar cualquiera de estos actos ya sea en calidad de principal, agente, o en cualquier otro carácter representativo, sea el que fuere.---TERCERA: (Capital) El monto del capital social autorizado será de DIEZ MIL BALBOAS (B/.10,000.00), dividido en CIEN (100) ACCIONES NOMINATIVAS O AL PORTADOR, de un valor nominal de CIEN BALBOAS (B/.100.00) cada una.--Todas las acciones tendrán los mismos derechos y privilegios y cada una tendrá derecho a un (1) voto en todas las Juntas Generales de Accionistas.--Sin perjuicios de lo que al respecto determinen los Estatutos o la Junta Directiva, los Certificados de Accionistas serán firmados por el Presidente, conjuntamente con el Tesorero o el Secretario.----Tales Certificados podrán ser emitidos en forma nominativa o al portador, según lo disponga la Junta Directiva. Es entendido que el tenedor de un Certificado de Acciones emitido al portador podrá cambiarlo por uno o más certificados emitidos a su nombre y que el tenedor de un certificado emitido en forma nominativa podrá cambiarlo por uno o más certificados al portador.---CUARTA: (Derecho de adquisición preferente) En caso de nueva emisión de acciones, los accionistas tendrán el derecho preferente de suscribir las acciones por emitirse en proporción a las acciones de que a la sazón sean propietarios. El valor de emisión, la forma de pago de las acciones así suscritas, al igual que los derechos y privilegios de las acciones que no sean totalmente pagadas, deberán ser determinados por la Junta Directiva al momento de autorizar la emisión.---Salvo que la Junta Directiva fije otro término, los accionistas dispondrán de Treinta (30) días calendarios contados a partir de la fecha de la notificación correspondiente para hacer valer su derecho de adquisición preferente de conformidad con las condiciones fijadas por la Junta Directiva.----Transcurrido el término antes mencio-

[illegible]do, la Junta Directiva quedará en libertad de emitir las acciones no suscritas por el precio que estime conveniente, siempre que no sea inferior al ofrecido a los accionistas. A menos que la Junta Directiva resuelva otra cosa, tal notificación se hará en la forma prevista en la cláusula Octava con relación a la convocatoria de la Junta de Accionistas. Será nula la emisión de acciones que contravenga el derecho de suscripción preferente a que se contrae esta cláusula.

QUINTA: (Registro de Acciones) El registro de acciones y demás libros exigidos por la Ley serán llevados en la República de Panamá en cualquier otro lugar que señale la Junta Directiva.------SEXTA: (Domicilio) Mientras la Junta Directiva no resuelva otra cosa, el domicilio de la sociedad estará en la Ciudad de Panamá, República de Panamá.------SEPTIMA: (Duración) La sociedad será de duración perpetua, pero podrá ser disuelta de conformidad con la Ley.------OCTAVA:-(Junta de Accionistas) Las reuniones de la Junta General de Accionistas, ya sean ordinarias o extraordinarias, se llevarán a cabo en la República de Panamá, salvo que la Junta Directiva disponga que deban celebrarse en cualquier otro lugar.---------En todas las reuniones de la Junta General, los Accionistas podrán hacerse presentes y votar por medio de apoderados nombrados por documento público o privado, con o sin poder de substitución.-------

----Reuniones Ordinarias: -Salvo que la Junta Directiva disponga otra cosa, la Junta General de Accionistas celebrará una reunión ordinaria todos los años, en la fecha y lugar que determinen los Estatutos o la Junta Directiva. La Junta General de Accionistas, reunidas en sesión ordinaria, podrá tratar los siguientes asuntos: ----a) Elección de Directores;-----b) Cualquier otro asunto que haya sido objeto de la convocatoria o que sea debidamente presentado en la Junta por cualquier accionista.-----------Reuniones Extraordinarias: La Junta General de Accionistas celebrará reuniones extraordinarias por convocatoria de la Junta Directiva o del Presidente de la sociedad, cada vez que éstos lo consideren convenientes. Además, la Junta Directiva o el Presidente de la sociedad deberán convocar a la Junta General de Accionistas a una reunión extraordinaria cuando así lo soliciten por escrito uno o más accionistas que representen por lo menos un cinco por ciento (5%) de las acciones emitidas y en circulación. -- ----La Junta General de Accionistas, reunida en sesión extraordinaria, podrá considerar únicamente los asuntos que hayan sido objeto de la convocatoria.--- Quórum y votación: En la primera convocatoria de toda reunión de la Junta General de Accionistas constituirá quórum la presencia de los tenedores de la mitad más una (1) de las acciones emitidas y en circulación o de sus respectivos apoderados o representantes legales. En la segunda convocatoria el quórum se ---- constituirá con el número de accionistas que se encuentren presentes o ------- representados.------Todas las resoluciones de la Junta General de Accionistas deberán ser aprobadas por el voto afirmativo de accionistas que representen la mitad más una (1) de las acciones presentes, salvo las que a continuación se enumeran, para las cuales será necesario el voto afirmativo de la mitad más una de las acciones emitidas y en circulación, a saber:------a) Enmendar el Pacto Social;-------b) Enajer, gravar o dar en garantía los bienes de la sociedad, a efecto de garantizar obligaciones de terceros;------c) Aprobar fusiones con -- otras sociedades;-------d) Disolver la sociedad;--------e) Remover de sus cargos a los Directores de la sociedad. ------Citación: La convocatoria para --- cualquier reunión de la Junta General de Accionista, ya sea ordinaria o ex---- traordinaria , deberá hacerse con no menos de diez (10) días ni más de sesenta (60) de antelación a la fecha de la Junta, en cualquiera de las siguientes maneras: --------a) Mediante el envío de la misma por correo certificado o entrega personal a cada accionista registrado con derecho a voto.---------b) Mediante su publicación por una sola vez en un diario de circulación general en la Ciudad de Panamá.---- --En el supuesto de que se encuentren en circulación acciones emitidas al portador, la convocatoria deberá efectuarse en la forma prescrita en el acápite b) anterior.----------Serán válidos los acuerdos tomados en cualquier Junta General de Accionistas, aunque no sea haya efectuado la convocatoria en la forma antes prevista, siempre y cuando en dicha reunión estén presentes o representados todos los accionistas o, estado presentes o re-- presentados el número de ellos necesarios para que haya quórum, todos los accionistas ausentes renuncien al derecho de convocatoria previa, a propósito de los asuntos a que se refieran tales acuerdos.---------- NOVENA:-(Junta Directiva) La Junta Directiva constará de no menos de tres (3) ni más de siete (7) miembros. ----- Dentro de dicho mínimo y máximo el número podrá ser fijado libremente por la Junta General de Accionistas o por la Junta Directiva. ------ Citación: Las reuniones de la Junta Directiva podrán celebrarse en la República de Panamá o en cualquier otro lugar que los Directores determinen. La citación para cualquier reunión de la Junta Directiva la hará cualquier Dignatario de la sociedad, mediante notificación escrita o personal dada a cada Director con no menos de siete (7) ni más de quince (15) días de antelación a la fecha de la reunión. No obstante, la Junta Directiva podrá acordar fechas periódicas de reunión, en cuyo caso no será necesaria la convocatoria.---------------- Quórum y votación: En las reuniones de la Junta Directiva constituirá quórum la presencia de la mayoría de los Directores quienes podrán hacerse representar en las mismas por apoderados que no necesitan ser Directores y que deberán ser nombrados por documentos públicos o privados, con o sin poder de sustitución. Las resoluciones de la Junta Directiva deberán adoptarse mediante el voto favorable de la mayoría de los Directores presentes o representados.------ Remoción: -Cualquier Director podrá ser removido de su cargo por la Junta General de Accionistas con o sin junta causa.-------Vacantes:- Las vacantes que ocurran en la Junta Directiva serán llenadas por acuerdo de la mayoría del resto de los miembros de la misma, aunque éstos nos constituyan quórum.----- ----- facultades: -Los negocios de la sociedad serán administrados y dirigidos por la Junta Directiva, la que ejercerá todas las facultades de la sociedad, salvo las que la Ley, este Pacto Social o los Estatutos reserven a la Junta General de Accionistas. En consecuencia, la Junta Directiva podrá otorgar en fideicomiso, pignorar, hipotecar o de cualquier forma gravar los bienes de la sociedad para garantizar el cumplimiento de sus obligaciones así como vender, permutar o en cualquier otra forma enajenar los haberes de la misma, excepto cuando se trata de bienes o activos no comprendidos en su giro corriente.----------Nombramiento de Comités: La Junta Directiva podrá constituír uno o más comités, a los que podrá delegar cualesquier o todas sus facultades. Cada comité será integrado por dos o más Directores. -------DECIMA: -(Dignatarios) Los dignatarios de la sociedad, quienes serán designados por la Junta Directiva para actuar al arbitrio de la misma, serán un Presidente, un Tesorero y un Secretario.----La Junta Directiva al igual que los constituyentes de este Pacto podrá asimismo, elegir uno o más Vice-Presidentes, Sub-Tesoreros o Sub-Secretarios, así como los Agentes y empleados que estime convenientes. Cualquier persona podrá desempeñar más de un cargo. Para ser Dignatarios no hace falta ser Director. Las facultades de los Dignatarios y su autorización para representar a la sociedad y actuar en su nombre, serán fijadas por la Junta Directiva.---------UNDECIMA: (Representante Legal) Sin perjuicio de lo que disponga la Junta Directiva, el Presidente ostentará la representación Legal de la sociedad. En ausencia de éste la ostentará, en su orden, el Vice-Presidente, si lo hubiere, el Tesorero o el Secretario. A tales efectos, bastará la declaración del Dignatario de que se trate para acreditar ante terceros la existencia de la circunstancias que le permita a dicho Dignatario asumir la representación legal de la sociedad.------ DUODECIMA: -Los contratos u otras transacciones celebrados entre ésta y cualquier otra sociedad no serán nulos ni anulables por el solo hecho de que uno o más de los Directores o Dignatarios de esta sociedad tengan intereses en la otra o sean Directores o Dignatarios de la misma, ni por el solo hecho de que uno o más de los Directores de esta sociedad, sean parte o estén interesados en dicho contrato o transacción. Los Directores o Dignatarios de esta sociedad queden relevados de cualquier responsabilidad en que pudieren incurrir por contratar con la sociedad en beneficio de sí mismo o de cualquier firma o sociedad en la cual estén interesados a cualquier título.---------DECIMA TERCERA: -En el supuesto de que alguno de los accionistas decida vender, ceder, traspasar, o en cualquier forma enajenar las acciones de las que sea titular, deberá ofrecerlas en primer término y mediante comunicación escrita a la sociedad, la --- cual dispondrá de un término de treinta (30) días, contados a partir de la fecha del recibo de la oferta, para adquirirlas, pagando en efectivo el valor que las acciones de que se trate tengan según los últimos estados financieros de -- la sociedad.-------Para el caso de que los referidos estados fiancieros ------ daten de más de seis (6) meses, cualquiera de las partes podrán solicitar que, por cuenta del solicitante, los auditores de la sociedad preparen nuevos estados financieros, en cuyo caso el plazo de treinta (30) días de que trata esta cláusula se contará a partir de la fecha en que los auditores entreguen a las partes interesadas tales estados financieros.- -Transcurridos los plazos que trata esta cláusula, el accionista de que se trata podrá enajenar libremente -- sus acciones. Será nulo el traspaso de acciones en que no se haya observado esta formalidad. — —DISPOSICIONES TRANSITORIAS: -----A) Los primeros Directores de la sociedad son: -----DIOMEDES CARRASCO, CARLOTA MARTINELLI PARDINI Y FATIMA MARIA DIAZ URRIOLA todos con domicilio en la ciudad de Panamá República de Panamá. ------------B) Los primeros Dignatarios de la sociedad son:----------

DIOMEDES CARRASCO -------------------------------PRESIDENTE----------

CARLOTA MARTINELLI PARDINI ------------------------VICE-PRESIDENTE----------

FATIMA MARIA DIAZ URRIOLA ------------------------SECRETARIO----------

C) Agente Residente: El Agente residente de la sociedad en la República de Panamá, mientras la Junta Directiva no disponga otra cosa, será la firma forense "CORREA, DIAZ & VILLARREAL", con oficinas ubicadas en Vía Italia, Punta Paitilla, Edificio Las Hadas, Planta Baja, de esta ciudad. ---------D) -Suscripción: El número de acciones que cada suscriptor a este certificado de Constitución conviene en tomar es como sigue:----------

EFRAIN VILLAREAL [illegible] ------------------UNA (1) ACCION ----------

CLARA [illegible] DIAZ DE [illegible]------------------UNA (1) ACCION ----------

Advertí a los comparecientes que la copia de esta Escritura debe ser inscrita; y leída como les fue la misma en presencia de los testigos instrumentales, señores ALFREDO [illegible] GARCIA, con cédula de identidad personal número cuatro-ciento dieciséis-dos mil quinientos cuarenta (4-116-2540) y LUIS ANTONIO LASSO [illegible], con cédula de identidad personal número ocho-ciento treinta y cinco-ciento noventa y seis (8-135-196), ambos varones, mayores de edad, panameños y vecinos de esta ciudad, a quienes conozco y son hábiles para ejercer el cargo, la encontraron conforme, le impartieron su aprobación y para constancia la firman todos juntos con los testigos antes mencionados, por ante mí, el Notario, que doy fe.-------Esta Escritura lleva el número DIECISIETE MIL TRES------------ (17,003).------Minuta elaborada por el Abogado EFRAIN VILLARREAL ARENALES con cédula de identidad personal 4-79-61.---

(Fdos.) Efraín Villarreal Arenales------Clara Enilda Díaz De Sotelo------A. Pinzón G.--------Luis A. Lasso R.--------EFEBO DIAZ HERRERA, Notario Público Cuarto.-----------CONCUERDA a los veintiocho (28) días del mes de octubre de mil novecientos ochenta y seis (1986).---- ------------------------------------

EFEBO DIAZ HERRERA
Notario Público Cuarto

OFICINA DE REGISTRO PUBLICO
PANAMA

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del 29 de octubre de 1986 Tomo 181
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Jefe de la Sección
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Liquidación Nº 252510 Juan Vargas R.

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Elois O. Espino

REPUBLICA DE PANAMA
MINISTERIO DE HACIENDA — TESORO

LIQUIDACION DE INGRESOS

REPUBLICA de PANAMA
TIMBRE NACIONAL
10.81
0.05

Panamá 29 de octubre de 19 86

EL SEÑOR: CORREA DIAZ VILALRREAL. HA DEPOSITADO A LA CUENTA CORRIENTE DEL TESORO EN EL BANCO NACIONAL DE PANAMA, LA SUMA QUE A CONTINUACION SE EXPRESA AL SIGUIENTE DETALLE:

IMPUESTO	PARTIDA	RECAUDADO EN	MES	VALOR	RECARGO O DESCUENTO	TOTAL COBRADO
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OCT 29 1986

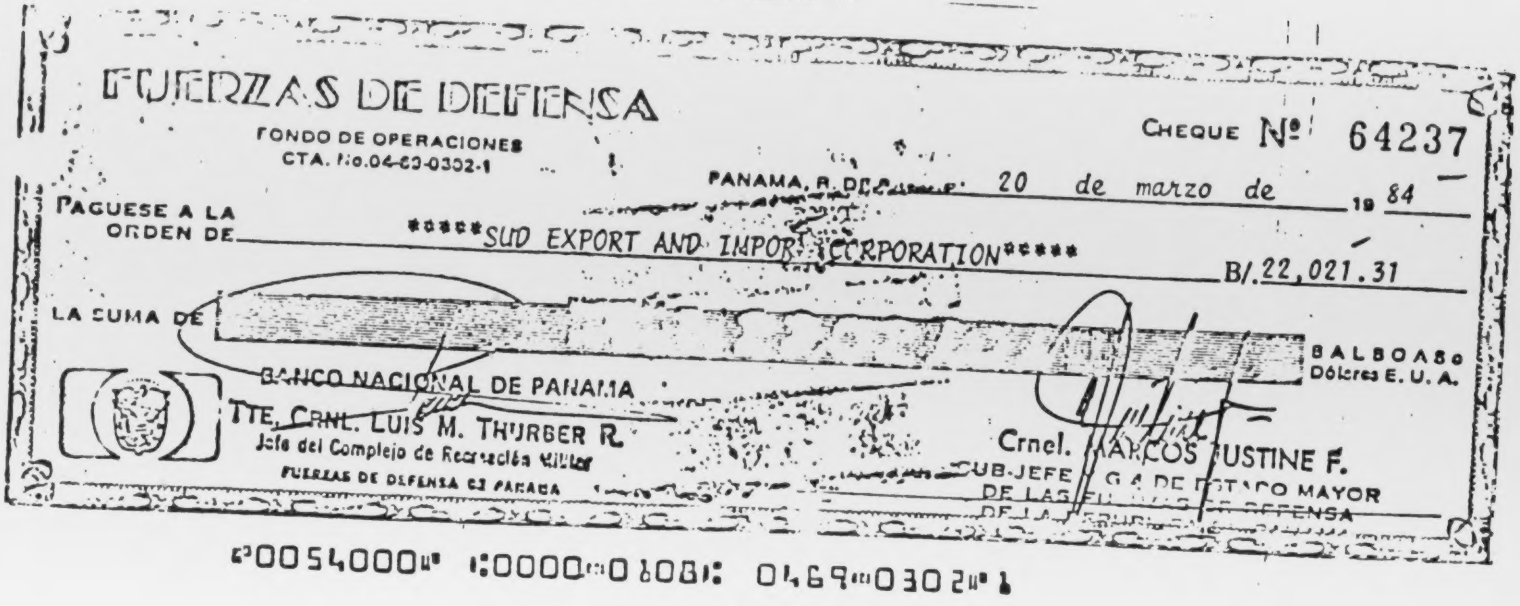
COMISION DEL RECAUDADOR:

VALOR NETO B/. 60.00

LIQUIDACION No. 252510 -86

LIQUIDADOR

CHECK FROM SUD EXPORT AND IMPORT CORP.



FUERZAS DE DEFENSA

FONDO DE OPERACIONES
CTA. No.04-63-0302-1

CHEQUE Nº 64237

PANAMA, R. DE [illegible] 20 de marzo de 19 84

PAGUESE A LA ORDEN DE *****SUD EXPORT AND IMPORT CORPORATION***** B/.22,021.31

LA SUMA DE BALBOAS o Dólares E. U. A.

BANCO NACIONAL DE PANAMA

TTE. CRNL. LUIS M. THURBER R.
Jefe del Complejo de Recreación Militar
FUERZAS DE DEFENSA DE PANAMA

Crnel. MARCOS JUSTINE F.
SUB-JEFE [illegible] DE ESTADO MAYOR
DE LAS FUERZAS DE DEFENSA
DE LA REPUBLICA DE PANAMA

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MISCELLANOUS PICTURES

EXHIBIT NO. 14

NOVEMBER

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